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NEWS SUMMARY

GENERAL

Marines shot in Beirut fighting
A U.S. marine was killed and another wounded by sniper fire from Shiite slums south-east of Beirut yesterday in the first such incident since a ceasefire was declared on September 23.

The escalation of violence against the marines, who are part of a multinational peace-keeping force, coincided with progress towards the initiation of a reconciliation dialogue. An ascenda has been drawn up for discussion by some of Lebanon's main political figures on October 20.

Mortar shells landed near Lebanese army positions in the hills southeast of Beirut.

Police trial
Detective Constable Peter Finch told investigators that he shot Stephen Waldorf because he thought the film editor was fugitive David Martin about to gun him down during the prosecution alleged yesterday at the Old Bailey trial of two police accused of attempted murder.

Racing hit
Live coverage of horse racing on BBC television's Grandstand this afternoon has been scrapped because of the dispute about overnight allowances for outside broadcast staff working away from home. Talks at ACAS to try to end the dispute were continuing last night.

Cages inquiry
The European Commission of Human Rights has challenged the Government to defend its use of "cages" at Portliff Prison, Inverness. Cells in the prison's segregation unit are divided into two by a metal grille.

Reagan hints
President Reagan has done all he can to signal that he means to seek a second term in the White House, short of saying so.

Jordan force row
Controversy erupted in Washington yesterday over reports that the Reagan administration plans to equip two Jordanian army brigades with a mobile strike force for use in emergencies in the Gulf and the Middle East.

Sun shade
Japanese scientists say they have evidence of a ring of dust particles, 600,000 miles wide, circling the sun.

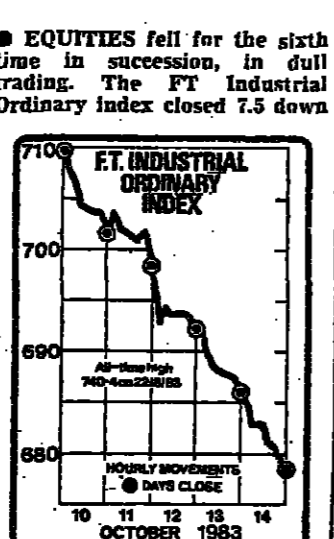
Purge warning
China's Communist Party newspaper, the People's Daily, warned yesterday against the use of cruelty in the forthcoming purge of extreme leftist and corrupt party members.

Super yaks
Chinese scientists are breeding a hybrid yak, which they hope will grow bigger and stronger and reproduce better than the present 13m yak population.

Briefly...
President Marcos set up a new inquiry into the assassination of Philippine Opposition Leader Benigno Aquino. Page 2
Soviet medical technicians have developed a device to keep human hearts and other organs alive pending transplant operations.

BUSINESS

Equities 61.9 off August peak



EQUITIES fell for the sixth time in succession, in dull trading. The FT Industrial Ordinary index closed 7.5 down

at 678.5, a total 31.3 down on the week—its biggest fall over the longer period since November. The index is 61.9 off its August peak. Page 24; Lex, Back Page

GILTS were erratic, reflecting concern at the upturn in inflation. Page 24

STERLING held at \$1.5. It rose to DM 2.32 (DM 2.3075), FF 11.995 (FF 11.945) and SwFr 1.185 (SwFr 1.1725), but held at ¥249.5. Its trade-weighted index was unchanged at 83.6. Page 21

DOLLAR rose to DM 2.6185 (DM 2.604), FF 7.9975 (FF 7.9635) and SwFr 2.121 (SwFr 2.1135), but slipped to ¥232.8 (¥232.95). Its trade-weighted index was 126.4 (126.2). Page 21

GOLD rose \$1 to \$399.25 in London. Page 21

WALL STREET was down 2.13 at 1,259.25 towards the close. Page 20

MIDLAND BANK has loans of £1,000m out to Brazil, £900m to Mexico and £500m to Argentina, according to documents filed by the bank with the U.S. securities authorities. Brazil creditor banks deal. Page 2

INSURANCE company trade association structure should be comprehensively reorganised, according to a management consultancy report. Page 3

CAMMELL LAIRD is to tender for a £100m production platform for U.S.-owned Sun Oil, even though it has not reached a full no-strike agreement with the unions. Page 3

GOVERNMENT CREDIBILITY NEEDS REPAIR AFTER RESIGNATION

Parkinson affair shakes Cabinet

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER will spend this weekend attempting to repair the damage to her Government's credibility and trying to restore the balance in her Cabinet following the resignation yesterday of one of her closest allies, Mr Cecil Parkinson, as Trade and Industry Secretary.

His resignation yesterday morning came after further disclosures about his affair with his former secretary and led to a day of constant excitement and activity not seen at a political conference since the Tory leadership election following the resignation of Harold Macmillan 20 years ago.

A replacement for Mr Parkinson is likely to be announced within the next couple of days, although Mr Paul Channon, the Minister for Trade, is temporarily in charge of the department.

Showing characteristic resilience, Mrs Thatcher rallied her supporters yesterday afternoon in her closing speech to the Conservative conference in Blackpool. This was, as usual, enthusiastically received. She mentioned Mr Parkinson only once, although not by name, as the "man who so brilliantly organised the election campaign."

The Parkinson affair has undoubtedly damaged Mrs Thatcher personally, at least for the time being, since, in spite of showing loyalty to a friend, her judgement in backing him has appeared grossly flawed. Her previously adopted handling has been thrown into doubt.

Moreover, Mr Parkinson's departure removes a strong supporter of the Prime Minister and upsets the balance of the Cabinet. The importance of such balance has been underlined by the events of the conference, where a group of number of ministers appeared to favour consolidation and the preservation of the welfare state structure rather than an intensified squeeze on public spending, even if it means a lower priority for tax cuts than desired by Mrs Thatcher and Mr Nigel Lawson, the Chancellor.

Mrs Thatcher will discuss the position at Chequers today with senior advisers. She will be concerned not to weaken the broadly Thatcherite group within the Cabinet, while avoiding too large a reshuffle so soon after her major changes in June.

Among names most frequently mentioned yesterday as possibilities for Trade and Industry Secretary were Mr George Younger, the Scottish Secretary, Mr Kenneth Baker, the Minister for Information Technology, and Mr Norman

Lamont, the Minister for Industry. Mr Norman Tebbit, the Employment Secretary, is also a possibility, though the Prime Minister may be reluctant to move such a favourite to Minister in view of the forthcoming delicate negotiations with the unions. If Mr Younger were moved, his obvious successor in the Scottish Office would be Mr Malcolm Rifkind, a Minister of State at the Foreign Office.

Mr Parkinson's resignation came after eight days of speculation and conflicting pressures following the disclosure that

about Mr Parkinson's behaviour and which, more significantly, threatened to lead to a lengthy public row.

This prompted a dramatic night of meetings centred on the Imperial Hotel, where all the Conservative leaders were staying. Mr Parkinson had been attending a party in the room of Mr Alistair McAlpine, the joint party treasurer, when he was told at 2.00 am of Miss Keays' statement. He immediately met Mrs Thatcher for 20 minutes and spent the rest of the night talking to his wife in their suite on the floor below.

The Prime Minister consulted senior advisers and, after only a few hours' sleep, saw Mr Parkinson again at breakfast time when he offered his resignation. According to his friends, this was to save the Prime Minister, the Government and his party from further embarrassment and to avoid further stress and strain for himself and his family.

The action then shifted to the foyer of the hotel, the scene of intrigue and backstabbing at political conferences for a generation. A swirling crowd of television crews and reporters seized upon any minister who appeared, asking for a comment. One crew focused its lights on anyone emerging from the hotel lift, startling grand

Conferences report and Parkinson profile, Page 4
Editorial Comment, Page 16

Miss Sara Keays, his former secretary, was due to have his child. It also emerged that he had made and then withdrawn an offer of marriage to Miss Keays. Initially the Prime Minister said the matter was a private one and that Mr Parkinson should not resign, in the hope that the controversy would blow over. But many MPs believed that the affair would have to go to court.

Late on Thursday evening Miss Keays issued a further statement, published in late editions of yesterday's Times, which raised several questions

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Annual inflation rate up to 5.1% in September

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE ANNUAL inflation rate rose in September to 5.1 per cent, according to official figures yesterday. However, underlying pressure on prices appears still relatively weak. Manufacturers' wage costs per unit of output are rising very slowly.

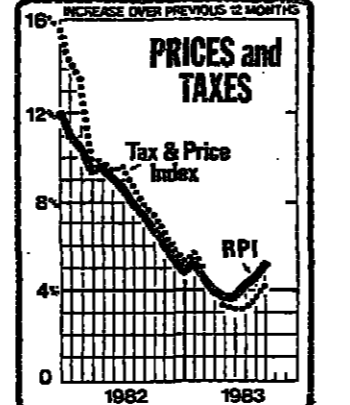
The Department of Employment said yesterday that the increase in unit wage costs from May to July last year and the same three months of 1983 was only 1.6 per cent, the lowest recorded since the statistics were first collected 13 years ago.

This is a rate of increase which compares favourably with the best international performance, though detailed figures are not yet available. It shows that UK manufacturers have been remarkably successful in absorbing the 71 per cent underlying increase in average earnings in the 12 months to July through higher productivity.

Yesterday's inflation rate figures showed the Retail Prices Index for September to be 339.5 (1974=100), a rise of 5.1 per cent in the previous 12 months, and of 0.4 per cent over August.

A major part of the increase in prices in the month reflected the higher price of seasonal foods. All other categories of goods rose by less than 1 per cent in the month, except for the cost of meals out, which went up by 0.8 per cent.

Officials do not expect major price rises to affect the index in the next few months, and since prices were rising by 1 per cent a month in October and



November last year, some fall in the annual rate during the next two months seems possible.

Annual rate of increase of the Tax and Price Index, which measures the increase in gross pay needed to keep pace with prices and taxes, was 4.2 per cent in September. This is lower than the inflation rate for retail prices because of the tax reductions in the March Budget.

The Treasury is now confident that the inflation rate by the end of the year will be less than 6 per cent, and a figure of less than 51 per cent for November is considered very possible.

Sir Terence Beckett, director-general of the Confederation of British Industry, said yesterday that the rise in the inflation rate had been expected.

"It comes as another signal to pay negotiators that settlements will have to be kept down in the coming months if Britain is to be able to outsell its trading rivals in world markets."

Gaining a competitive edge is the key to turning the tide of unemployment," he added. Wage bargaining still crucial. Page 3

Moscow expected to make new arms offer

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE SOVIET UNION is expected to make a new offer within the next few weeks to control medium range nuclear weapons in Europe.

Western arms control officials believe Moscow is preparing to make an offer during major demonstrations against deployment of U.S. cruise and Pershing missiles which are planned to reach a climax in West Germany and other West European countries later this month.

They expect the offer to come in advance of the West German parliamentary debate on missiles in mid-November, and before the opposition SPD conference on November 19.

The officials believe the new offer will be a propaganda ploy, rather than a serious proposal Moscow would expect the U.S. to accept.

They say the offer is likely to be couched in such a way that Nato is bound to reject it which would give Moscow the pretext it seeks to break off the Geneva talks.

Western arms negotiators believe the Soviet Union is not interested in concluding a medium range missile agreement at this stage because to do so would mean Continued on Back Page Warsaw pact ministers' pledge, Page 2

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Chemical Methods does penance

BY DAVID DODWELL

CHEMICAL Methods Associates, the U.S. dishwasher-maker which made a sparkling debut on London's Unlisted Securities Market this May, yesterday offered its shareholders their money back after admitting it will fall far short of profit forecasts made at the time of the launch.

Shareholders who are prepared to keep their shares are being promised dividends which would amount to a return of 10 per cent on their investment this year and next, and will receive at no cost one new share for every four already owned.

Chemical Methods directors and others linked with promoting the company in the UK, who between them own almost 70 per cent of the company's shares, will make available some of their shares for the free issue and have foregone rights to any dividend until 1985. The company's act of corporate penance is understood to be unique.

Chemical Methods makes and markets dishwashers for the food-service industry. It also supplies the chemicals involved in a dish-washing process that is claimed to be highly energy-efficient.

The company was seen as something of an anomaly when it was launched on the USM. Many were puzzled that a U.S. company should seek a listing here rather than in the U.S.

Accounting for the profits shortfall yesterday the company blamed installation problems for a new machine—the Moving-Mizer. It also disclosed it had lost some of the sales force being trained to sell its products in the UK and that plans to lease machines to commercial users had been badly implemented. All of these problems had now been overcome, the company said.

At the time of its launch, at 115p a share, Chemical Methods was forecasting profits for 1983 of about \$4m (£2.7m). Figures for the first

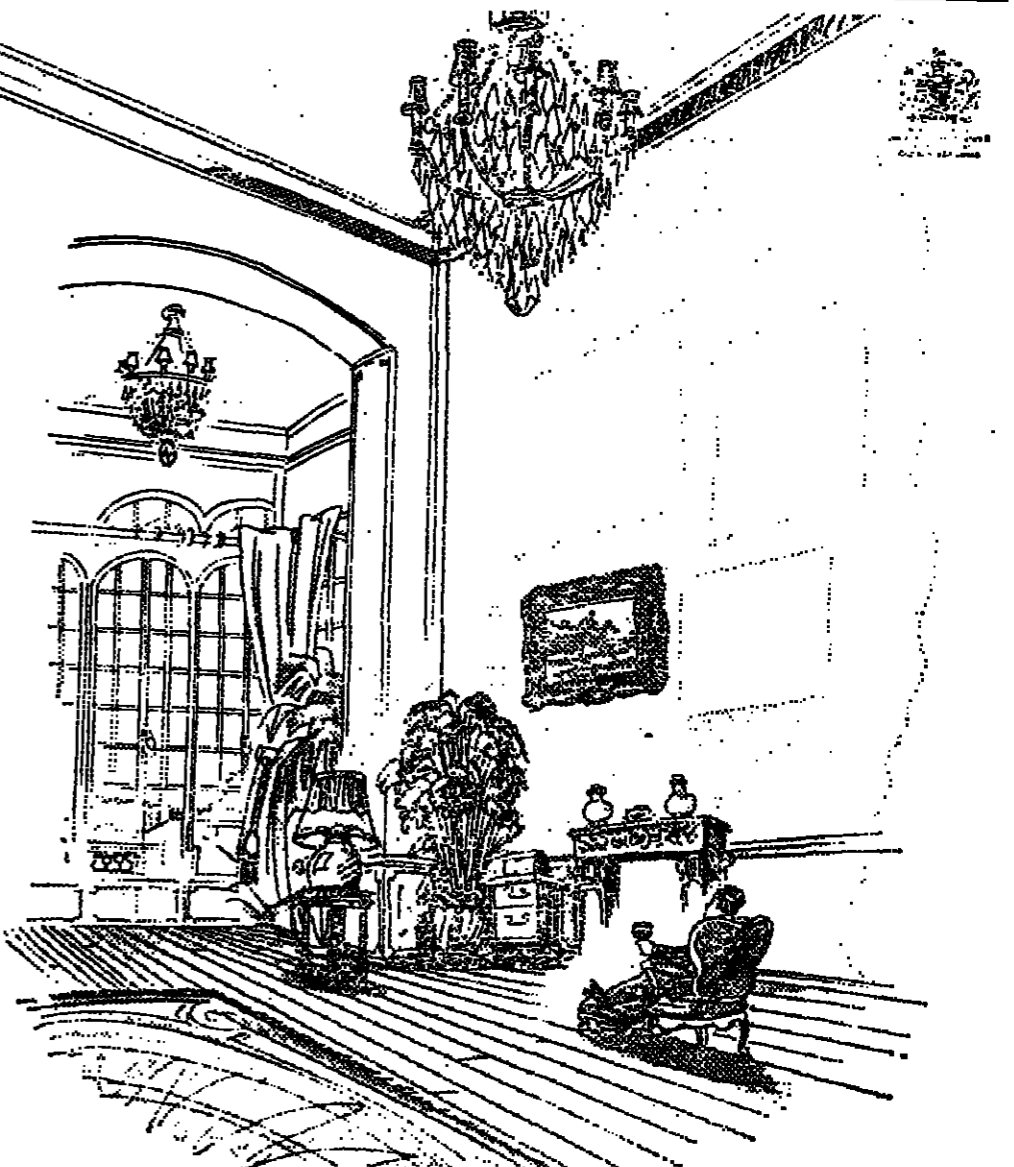
six months to end June revealed yesterday, showed a pre-tax figure of just \$139,700 (£93,133).

While there have been signs of a profits recovery over the past month, Mr Bischoff conceded that the third quarter was also dull and that there was no prospect of the forecast figure for the full year being met.

Trading in the company's shares was suspended a week ago at 60p a share. Shareholders wishing to wash their hands of the company can take their money—115p a share—in a non-inflation-adjusted hand-out staggered over three years which would cost the company a little less than \$3m.

£ in New York

	Oct. 13	Previous
Spd. 114965-4975/114995-5005		
1 month 0.05-0.07 pm 0.05-0.08 pm		
3 months 0.17-0.19 pm 0.19-0.21 pm		
12 months 0.58-0.63 pm 0.68-0.71 pm		



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CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISERS:	
Treas. 2 1/2p L.L. 2016 293 1/2	Burton Group 326 - 8
Danish Bacon A 125 + 57	C.A.S.E. 357 - 13
Fisher (Albert) 50 + 4	General Accident 393 - 10
Hovor 217 + 12	GRE 438 - 9
Mowlem (J.) 196 + 8	Hall (Matthew) 232 - 12
TACE 128 + 14	Hanover Invs. 155 - 15
Jackson Expl'n. 87 + 10	Harris Queensway 262 - 8
Sin Oil (UK) Rty 350 + 40	Horizon Travel 128 - 7
Wit. Nigel 160 + 17	ICI 574 - 16
FALLS:	
Applied Computer 355 - 10	Lea Croder 574 - 16
Automated Security 135 - 8	Salisbury (J.) 415 - 38
Barclays Bank 423 - 12	Scan Data 100 - 15
Brit. Car Auction 182 - 5	U.E.I. 185 - 9
	Shell Transport 568 - 10
	Cons. Gold Fields 507 - 6

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Shamir set to name Finance Minister

By David Lennen in Tel Aviv

Mr. Yitzhak Shamir, Israel's Prime Minister, is hoping to present his Cabinet tomorrow with a new Finance Minister, able to lead the country out of its economic crisis.

The first task of the new minister will be to restore public confidence in the Government management of the economy after a week of high drama, which culminated on Thursday in the revelation of the Treasury's stillborn plan to link the economy to the dollar.

Despite the general sigh of relief following the resignation of Mr. Yoram Aridor from the Treasury portfolio on Thursday, commercial and banking circles and the general public remain extremely nervous about the state of the economy.

The announcement yesterday that inflation soared by a record 9 per cent in September reminded Israelis that the removal of the discredited finance minister had not solved any of the economic problems.

The stock market stayed closed as negotiations on a Government plan to prevent a collapse of bank shares was bogged down in detail. The public rush to buy dollars continued and yesterday some banks again ran out of dollars.

The Histadrut trade union federation is calling a two hour warning strike tomorrow to protest this week's price hike. The new Government faces a no confidence motion in the Knesset on Monday, exactly one week after it took office.

Mr. Shamir has been holding consultations with various politicians about the choice of a new Finance Minister. He may also take this opportunity to appoint someone to take over the foreign ministry portfolio which he retained after becoming Prime Minister.

Sharp fall on Tokyo exchange

THE TOKYO AND Osaka stock exchanges recorded their sharpest falls for the year yesterday as discussions in the Diet on how to handle the problems of former Prime Minister Tanaka's conviction in the Lockheed bribery affair remained deadlocked for the second day running.

Charles Smith writes from Tokyo.

The Tokyo market's Dow Jones average fell by 148.72 points to 9,323.63 with foreign investors doing much of the selling. In Osaka the Dow Average fell by 173.3 points to 110,174.

Representatives of the ruling Liberal Democratic Party and of the opposition parties met in the steering committee of the Lower House again yesterday to discuss an opposition proposal to table a Bill calling for the resignation of Mr. Tanaka but the discussions got nowhere and other diet business remained paralysed.

Missile talks pledge from Warsaw Pact ministers

BY ANTHONY ROBINSON

WARSAW PACT foreign ministers ended a two-day meeting in Sofia yesterday with a carefully-worded communiqué offering to continue negotiations in Geneva on intermediate-range missiles—provided Nato did not go ahead with deployment of new missiles by the year-end deadline.

The key phrase in the communiqué was: "If agreement is not reached at the (Geneva INF) talks by year's end, it is essential that the talks should be continued with a view to reaching agreement in the context of renunciation by the United States and its Nato allies of their schedule for deploying new medium-range nuclear missiles."

Fury erupts over U.S. arms for Jordanians

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

A ROW erupted in Washington yesterday over reports that the Reagan Administration is secretly planning to equip two Jordanian army brigades as a special mobile strike force for use in emergencies in the Gulf and the Middle East.

Under the plan, first disclosed on Israeli Radio, officials said that as much as \$225m (£130m) would be secretly earmarked in the U.S. defence budget to create what was described on Capitol Hill as a "Jordanian Rapid Deployment Force" to protect pro-Western governments in the region.

The U.S. officials said, would provide transport aircraft, medical evacuation facilities, advance infantry and river-crossing equipment and a variety of modern weapons. The idea was said to have originated in late 1979 after Islamic militants sent shock waves through the Arab world by attacking the Great Mosque in Mecca.

Leading Congressmen immediately attacked the plan both for its secrecy and for the possible threat it might constitute to Israel.

The communiqué, like the document issued after the previous Pact meeting in Moscow last June, was restrained and bore no mention of any retaliatory moves which the Pact might introduce if Nato deployments went ahead. This is believed to be partly in deference to Romania, which remains publicly opposed to higher arms spending by both sides.

This omission was made good, however, by Marshal Viktor Kulikov, Commander-in-Chief of Warsaw Pact forces, who warned Nato in a tough Novosti interview on Thursday that the Soviet Union would

deploy new missiles in Eastern Europe, add to its conventional forces and "take corresponding measures with regard to U.S. territory if Nato deployment of new Pershing-2 and Cruise missiles went ahead."

Marshal Kulikov's statement was the latest in a series of hard-line Soviet statements which preceded the Warsaw summit.

On Tuesday, for example, Mr. Leonid Zamyatin, a senior Soviet propaganda specialist, said in Bonn that Moscow would break off the talks if Nato deployed the new missiles.

The Warsaw summit hinted at the same thing by implying that talks could go on only if the U.S.

and Nato renounced their schedule for deploying the new missiles—something which West German, British and other Nato heads of government have said they are not prepared to do.

Marshal Kulikov also hinted that the Soviet Union might add to its existing stock of SS-20 missiles targeted on Western Europe.

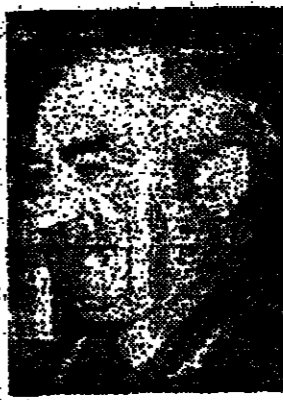
If Nato goes ahead with deployment, Marshal Kulikov said, the Soviet Union would cancel the moratorium on new missile deployments announced by late President Brezhnev in March 1982.

Western defence experts have denounced the so-called moratorium as a sham, adding that

satellite observation had pinpointed the construction of several new SS-20 launching sites since the moratorium was announced.

Reuter reports from Bremerhaven: West German protests against nuclear missiles spread yesterday, as demonstrators blocked a U.S. army base in Bremerhaven for the second consecutive day and a similar blockade began at the U.S. air force's European headquarters at Ramstein.

The protest in Bremerhaven was generally peaceful, with no incidents reported. Police used water cannon at one stage to clear a route for trucks to the American Carl Schurz base.



Kulikov, warned Nato

Payments freeze sought by Manila

By Peter Montagnon, Euromarkets Correspondent

A SHARP FALL in its foreign exchange reserves has forced the Philippines last night to ask its foreign bank creditors for a temporary suspension of repayments of \$18bn (£12bn) foreign debt.

Mr. Jaime Laya, the Philippines Central Bank Governor, was negotiating the suspension at a meeting of leading bank creditors in New York. A 90-day suspension of principal has become a standard prelude to full-scale rescheduling arrangements.

As the bankers meeting continued last night it was not clear how the banks had reacted, but one expectation was that they would form an advisory committee to be chaired jointly by Bank of Tokyo and Manufacturers Hanover to spearhead negotiations with the Philippines Government.

Few bankers have been surprised by news over the past two days that a Philippines rescheduling of the first \$1.5bn Far Eastern borrower since the debt crisis broke last year — has become inevitable.

Political unrest following the assassination in August of opposition leader Benigno Aquino and a sharp deterioration in the country's balance of payments in the third quarter have contributed to a serious loss of confidence.

Smaller banks have already begun pulling out short term credit lines to the Philippines, which is adding to its problems because roughly a quarter of its debt is short term. Already between the end of April and August International Monetary Fund figures show the country has sold nearly 500,000 ounces of gold worth some \$200m at present market prices.

But a major uncertainty last night remained the size of the country's foreign debt with some bankers putting it as high as \$25bn rather than the officially stated \$18bn. Clarification of its accounts will be an essential prerequisite for any formal rescheduling arrangement.

Brazil to get early loan instalment

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRAZIL stands to receive nearly \$50m (£28.55m) in cash from its creditor banks within weeks of its debt rescue package being approved by the International Monetary Fund in the third week of November.

In detailed proposals circulated to banks in London ahead of next Tuesday's meeting with Mr. Antonio Pastore, President of the Central Bank, Brazil has asked for the first disbursement of the loan-it is seeking from them to be "up to \$20m" or nearly half the total amount of \$6.5bn.

Also, banks which subscribed to the \$4.4bn credit arranged for Brazil last winter are being asked to disburse the full \$1.8bn undrawn balance as soon as the International Monetary Fund resumes lending.

The letter states that the loan will involve creditor banks increasing their medium and long-term exposure to Brazil by 11 per cent. They are also being asked to reschedule some \$5.5bn in loans falling due next year and to maintain short-term credit lines and interbank money market lines to Brazil at the level outstanding on June 30.

In each case this would involve a commitment fee of 1 per cent of the amounts involved which total \$10.3bn in the case of the trade loans and about \$6bn in the case of the interbank money.

In their letter to the banks, the Brazilian negotiating team has said it expects the loan resumption to take place before the end of the year. The IMF halted loan disbursements to Brazil in May after it fell behind with its economic performance targets. This letter does not suggest a signing date for the new loan package but banks are asked to agree to the proposals by November 10.

Brazil has moved — with lightning speed to get these proposals off the ground and bankers are assuming that signature of the deal would follow quickly after the syndication process is completed. This would pave the way for the country to receive a large slug of cash around the end of the year, allowing it to eliminate more than \$20m in debt service payment arrears.

Elimination of arrears will be a condition for drawings on the loan, but the Brazilian letter continues: "If for any reason interest arrearages exist, the initial disbursement will be handled in such a manner that no arrearages will exist thereafter."

Mr. Carlos Calles, the Finance Minister, said the Fund, which will send a mission to Santiago later this month, was willing to consider a fiscal deficit higher than the 2.3 per cent of GDP specified in the accord.

Chile would like to have the allowable fiscal deficit raised to 4 per cent of GDP, which would give the government about \$500m in additional funds for public works and housing projects.

The IMF has already agreed to allow Chile to depart from its fiscal deficit and international reserves requirements for a three-month period, which ended early this month.

Chile's National Statistical Institute reports unemployment at 18 per cent, excluding another 10-15 per cent of the working age population employed in Government work projects paying less than minimum wage.

Pressure on the regime to take a more active role in stimulating the economy has grown recently, as opposition groups have staged six national protests in as many months. About 50 people have been killed in disturbances so far.

Chile seeks easing of IMF deficit restrictions

BY MARY HELEN SPOONER IN SANTIAGO

CHILE is seeking a further easing of restrictions contained in its fiscal deficit accord with the International Monetary Fund. The move coincides with Gen. Augusto Pinochet's increased public spending in an effort to reduce unemployment and expand the declining economy.

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Clark move leaves Washington baffled

By Our U.S. Editor in Washington

THE WHITE HOUSE yesterday insisted that there would be no major changes in U.S. foreign policy following President Ronald Reagan's surprise decision to move Mr. William Clark, his powerful national security adviser, to the Department of the Interior.

Both White House and State Department officials claimed that the unexpected move announced by Mr. Reagan on Thursday, was not the result of any power struggle between the hardline Mr. Clark and the more pragmatic Mr. George Shultz, the Secretary of State.

As a baffled Washington digested the news yesterday, first impressions were nevertheless that Mr. Shultz now had a chance to regain some of the foreign policy influence he had lost recently to Mr. Clark, particularly in the areas of Central America and the Middle East.

The move was the third time Mr. Reagan had reshuffled his foreign policy advisers, following the departure of his first two choices, Secretary of State and National Security Adviser, Mr. Alexander Haig and Mr. Richard Allen.

Officials hinted that the move was a sign that the assertive Mr. Clark had become tired of the exacting job of National Security Adviser, in which he had often shown impatience at what he regarded as the slow methodical pace of Mr. Shultz.

Others suggested that Mr. Clark, Mr. Reagan's chief-of-staff when he was Governor of California, would be better placed in a domestic post to play a major role in Mr. Reagan's re-election campaign next year.

Only "hours before he announced" Mr. Clark's appointment, Mr. Reagan was reported to have been signalling his intention to run for a second term in the White House.

Mr. Paul Laxalt, the Republican Party chairman, said that Mr. Reagan would sign papers on Monday setting up a "Reagan-Bush '84" election committee.

The move would make Mr. Reagan's legal candidate last year's election, allowing fundraising and political activities to start on his behalf.

But he would not become an official candidate until after a formal announcement of his intentions later in the year—and his approval of the committee's formation will be worked in a way that allows him a way out if he decides against running.

Mr. Shultz's appointment as Secretary of the Interior was greeted with a wave of anger and incredulity by liberals and environmentalists, who at first thought the news was a joke.

U.S. output increases 1.5%

By Nancy Dunne in Washington

The U.S. economy continued to expand in September and inflation remained in check, according to the Government figures released yesterday.

The nation's factory production rose 1.5 per cent last month while July and August turned out to be stronger than first measured, said Federal Reserve economists.

The September increases followed revised rises of 1.2 per cent in August and 2.2 per cent in July. Wholesale prices only increased by 0.2 per cent last month, despite a sharp increase in food prices after the summer's drought.

Progress made in China talks

By Reginald Dale, U.S. Editor, in Washington

WASHINGTON and Peking have made further progress towards an agreement on U.S. sales of high technology to China during three days of Washington talks between Mr. Wu Xueqian, the Chinese Foreign Minister, and leading members of the Reagan Administration, according to American officials.

However, the U.S. still not received adequate assurances from Peking that the so-called "dual use" technology—which can be used for both civilian and military purposes—would not be transferred to other countries, they said. The nuclear agreement also remains a tough issue.

Mr. Wu and Mr. George Shultz, the U.S. Secretary of State, agreed to resume U.S.-Chinese cultural exchanges.

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China contract for Cluff Oil Competition rules to change

BY RICHARD JOHNS

CLUFF OIL, together with its Hong Kong and Australian affiliates, is set to become the first British independent oil company to conclude on its own, as prospective operator, an exploration contract with China.

Yesterday the company confirmed reports from Peking that it will sign an agreement with the China National Offshore Oil Corporation on October 29 relating to tract 10/38 in the northern part of the Yellow Sea for which bids were invited.

Mr. Algernon Cluff, chairman and chief executive, said that financing the commitments entailed under the system whereby the foreign contractor bears the whole exploration

commitment was "well within our capability."

Nevertheless, it is believed that Cluff Oil may want and be permitted to co-opt one or more partners for the venture. As it is, Cluff Oil of the UK has a 20 per cent share in the venture, Cluff Oil (Hong Kong) 70 per cent, and Cluff Oil (Pacific) of Australia 10 per cent. It has, respectively, stakes of 30 per cent and 45 per cent in the two affiliates.

The company plans to do more seismic work before drilling a first exploration well within 18 months of signing the contract.

British Petroleum has announced it plans to start exploration drilling in the southern part of the Yellow Sea next April.

BY PAUL CHESSERIGHT IN BRUSSELS

THE European Commission has agreed to change the application of the EEC competition rules to permit companies greater freedom of association in matters relating to research and development.

The decision, taken yesterday and shortly to be announced following the completion of drafting details, is designed to improve the technological base of EEC in the face of Japanese and U.S. competition.

It is a move which has been consistently urged by the business community, most recently by UNICE, the EEC employers' federation, in a plea to ministers meeting in Athens this week for steps to create more flexible business conditions.

The Commission move is the first part of a two-pronged

movement in the competition area. The second, which will be presented to member states early next year, is a code for the use of state subsidies in research and development.

Under the Treaty of Rome, the Commission has broad powers to act independently in competition matters. But the results of yesterday's decision will be published and comments invited before the new application comes into force, possibly next summer.

The article at issue in the Treaty of Rome is number 85, which contains a blanket prohibition of any agreements between companies that result in the prevention, restriction or distortion of competition within the Common Market.

Polish Communists attack lack of democracy

BY CHRISTOPHER BOBINSKI IN WARSAW

A POLISH Communist Party report, to be published soon, cites a lack of democracy in the party and lack of participation by the population in decision-making as two of the main reasons of the country's crises.

The report, written by a top-level committee chaired by Prof. Hieronim Rubink, a sociologist and Politburo member, was commissioned by the party congress in July, 1981, and accepted by the central committee last June.

Its reforming tone echoes the hopes raised at the party congress, which was held when Solidarity was in full flood.

Party reformers see the text as a sign that the fully-fledged return to these ideals will be possible.

December, 1970, when 44 people died, and 1,184 were wounded during demonstrations over food price rises in the Baltic ports.

For the first time, the account implicitly contradicts the often-repeated rumour—that the present leader, General Wojciech Jaruzelski, opposed the order to fire on demonstrators.

The report states that he was among others in the room of the then Minister of Defence when a decision to use firearms was taken by Mr. Wladyslaw Gomulka, the then party leader.

Nevertheless, the report emphasises that the "leadership of the Defence Ministry" did what it could to "minimise the consequences of the use of force."

More important for the future, the report states that the use of force was justified to defend the legal order, even though the demonstrations were caused by "errors" by party and government leaders.

"It is always necessary to distinguish between the content of workers' protests and the form of expressing that protest," it adds.

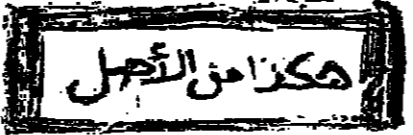
The commission contains both dogmatic hard-liners and representatives of the more enlightened pragmatic wing of the establishment and the final version was accepted by a majority vote.

Comparisons with an earlier version leaked to the Western Press show that, on the whole, the pragmatic wing held its own while an account of the past 40 years bears the imprint of orthodoxy.

on the origins and course of the Stalinist years, the retreat from the liberal promises of 1956, and the student demonstrations in 1968 and subsequent purges, with their anti-Semitic atmosphere.

The report says the Government, without recourse to democratic methods, must end its crisis and the downfall of the leadership, and that the growing democratic aspirations of the workers and other social groups must be satisfied.

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Thatcher brushes troubles aside to rejoice in general election victory

BY IVOR OWEN

ALL THE embarrassment of the Parkinson affair was brushed aside by the Prime Minister when she brought the Conservative conference to a boisterous conclusion at Blackpool yesterday.

She claimed that the two general election victories the party has achieved under her leadership have altered the course of British politics for at least a generation.

It was an impressive performance in the face of adverse circumstances, and won her a rapturous standing ovation which continued for eight minutes, 20 seconds.

Like many of her Cabinet colleagues, Mrs Thatcher looked strained and edgy as she made her way to the conference hall, but her customary confidence returned as she disposed of the awkward problem of how to lift the shadow of Mr Cecil Parkinson which seemed to hang even more menacingly over the platform after his resignation as Secretary for Trade and Industry had been announced earlier in the day.

The Prime Minister did not mention Mr Parkinson by name, and made no reference to his resignation, which took place

within 24 hours of his speech to the conference from the same platform.

She cleared the air—in the conference hall if not outside—with one 14-word sentence at the end of a passage thanking all those who made the Conservative election victory on June 9 possible.

To cheers, which seemed to register relief as well as appreciation, she insisted in a reference to Mr Parkinson in his earlier role as Conservative Party chairman: "We do not forget today the man who so brilliantly organised the campaign."

With that difficult hurdle cleared, Mrs Thatcher became increasingly confident. She maintained, the Labour Party was already shifting its position on such issues as home ownership and Britain's membership of the EEC, and the Social Democrats were singing the virtues of capitalism, competition and the customer.

Mrs Thatcher forcefully declared: "We have entered a new era. The Conservative Party has staked out the common ground, and the other parties are tip-toeing on it." Dealing with the difficulties

involved in curbing the growth in public expenditure, Mrs Thatcher echoed the warning given earlier in the week by Mr Nigel Lawson, the Chancellor, that "hard choices" lay ahead.

She followed his example, too, in recalling that, in dealing with similar problems, the Socialist Government in France had introduced boarding charges for hospital patients. France, like West Germany, had also defrayed pension increases and cut unemployment benefit.

Mrs Thatcher commented: "Think what people would say in this country had we done some of those things."

"I don't say those measures are the ones we should follow. But I do say that the Government, whatever its political complexion, can suspend the laws of arithmetic or run away from reality."

The Prime Minister also praised Mr Norman Fowler, the Social Services Secretary, for his robust response to critics of the Government's attempts to secure economies in the running of the National Health Service.

Underlining the fact that, with 1m employees, the NHS is the largest employer in Europe, she told the conference, to

applause: "It really is our job to see that it's managed properly."

The budget for the health service is very large. We are not cutting it. We are keeping to the plans we announced before the election and which I repeated as a pledge during the election."

Mrs Thatcher said the Government's great task was to reconcile the need to protect the taxpayers' purse with the need to protect public services.

She rejected her opponents' suggestions that she did not care about unemployment, and appealed for a revival of the innovative spirit which marked the birth of the first industrial revolution to provide a new boost to the economy and generate more job opportunities.

The challenge facing Britain, she said, was not one of sharing out a limited amount of work, like spreading butter thinly on a slice of bread. "The challenge is how to translate our wants and aspirations into work to be done by our people. It is by producing what people want to buy that unemployment will be solved."

Mrs Thatcher paid tribute to



Mrs Margaret Thatcher waves to cheering delegates after her speech

the expansion of services in Britain and highlighted the fact that there were over 300,000 more jobs in insurance, banking and finance than there were 10 years ago.

She adopted a characteristically resolute pose in describing the continuing menace of the Soviet challenge and the need to maintain strong defences based on membership of Nato.

But she struck a conciliatory note, reaffirming her desire to see a successful outcome to the lengthy disarmament negotiations in Geneva.

It was right for the West to be ready to talk to the Soviet leadership, and every genuine opportunity for dialogue should be grasped. However, she emphasised: "Such exchanges must be hard headed. We do

not want the word 'dialogue' to become suspect in the way as the word 'defence'."

Mrs Thatcher said Britain's policy would be threefold—to assess the potential aggressor realistically, firmly to maintain Britain's capacity to defend and deter, and always to stand ready to talk.

To applause, she underlined her desire to see progress in dis-

armament. "As I am sure you will understand, there is no more anxious for genuine armament than the person hears the ultimate responsibility for the nuclear deterrence in our own country."

"I wanted to say that to you and you will understand the importance of it to me, that I want to make these arms talks succeed."

Howe backs role for Britain in arms talks

BY KEVIN BROWN

SIR GEOFFREY HOWE, the Foreign Secretary, gave explicit backing yesterday to the growing view in the Conservative Party that Britain should take a leading role in arms negotiations with the Soviet Union.

In terms remarkably similar to those used on Wednesday by Mr Michael Heseltine, the Defence Secretary, Sir Geoffrey combined support for continued strong defence with a call for more talks to reduce tensions.

He told the debate on foreign affairs: "Never has there been a greater need for steadiness, experience and courage to sustain the democratic values that we have. Never has there been a greater need for Britain to play the part for which we are so well qualified."

Sir Geoffrey's remarks put him firmly in the same camp, at least on disarmament, as Lord Carrington, Mr Edward Heath, Mr Francis Pym, Mr Heseltine and other leading Conservative moderates.

Mrs Thatcher, addressing the conference later went some way to meet the moderates by committing the Government to "every genuine opportunity for dialogue" but only "when the circumstances are right."

Sir Geoffrey said the shooting down by the Soviet Union of the South Korean airliner with the loss of 26 lives was a "tragic reminder" of the differences in values between East and West. There could be no justification for such an appalling act and Moscow's shameful refusal to accept responsibility had served only to compound the original offence.

"Yet, as Margaret Thatcher has said, we and the Russians have to live on the same planet. This horrific incident does not undermine the case for contact

between East and West, it strengthens it. It does not mean we should sit mum and dumb but that we must work even harder to convince the Soviet leaders that their behaviour is unacceptable."

"It does not mean that we must stop working for arms control and disarmament, but that we must redouble our determination to negotiate and our strength without which we cannot hope to negotiate successfully."

Like Mr Heseltine, Sir Geoffrey made clear his support for the Nato alliance and for the leading role of the U.S. The West had put forward reasonable proposals for arms reductions, which did not seek advantage at the expense of the Soviet Union. Nato would not be divided or blinded by propaganda or bow to threats.

Sir Geoffrey was a reserved orator for a speech which was largely low-key and confined to articulating Government policy on reform of the EEC budget and the Common Agricultural Policy.

The Government had secured rebates of £2.5bn between 1978 and 1982 and a further substantial rebate for 1983, but neither Britain nor the EEC could be content with stop-gap measures.

Sir Henry Plumb, leader of the British Conservative MEPs, said the EEC could not progress at the expense of individual member states.

The CAP had to be reformed, but every country in the world supported its agriculture in some way. "If we had never joined the Community, the old price support system would have imposed a similar burden on the British taxpayer," he said.

Two cheers for The Times

By Kevin Brown

THE TIMES had plenty to celebrate in Blackpool yesterday as Conservative constituency representatives and rival journalists alike queued for copies of the paper's scoop of the year—the first interview with Miss Sarah Keays.

The story provoked Mr Parkinson's breakfast time resignation. But harassed newspaper editors in the ornate Winter Gardens conference centre were suggesting it ought also to have provoked the resignation of The Times's circulation manager.

With a captive market of 3,000 representatives, not to mention at least 1,500 journalists and dozens of party staff, The Times organised a special delivery of just 250 copies of the late edition containing the story.

The Times fared better, however, than the unfortunate correspondent of the Liverpool Daily Post, whose pre-resignation front page story on Thursday's events at the conference appeared headlined "Cecil's Triumph"—a 3 am edition deadline—several hours after the Sarah Keays story broke.

Prior sets out twin objectives for Ulster

MR JAMES PRIOR, the Northern Ireland Secretary, yesterday outlined his twin objectives in the search for a political settlement in the province.

He said: "We have to try to find a position which enables Unionists to go on upholding their unity with the United Kingdom and at the same time allows nationalists to seek their aspirations with a United Ireland."

"Nice things happen at the Imperial," declared the slogan over the elegant foyer of the Tory conference hotel. On the opposite wall, a plaque boasted that it had welcomed discriminating guests since 1867 and had always been a haven for relaxation and enjoyment.

Belying these noble sentiments, a mob of journalists, cameramen and TV crews swarmed back and forth avidly yesterday, hunting for any politician who dared show his or her face.

All week, Ministers had kept up the appearance of desperate good cheer in the face of the affair of Mr Cecil Parkinson and his former secretary.

Now the smile had finally disappeared. Mr Parkinson received the knock on the door at 2 am. He was summoned from his hotel room into Mrs Thatcher's presence in her room down the corridor to the Imperial to discuss the latest disclosures by Miss Sara Keays.

As a result, just before 10 am, it was announced that

Party puts on brave face as media hunt quotes

CONFERENCE SKETCH

he had resigned as Trade and Industry Secretary. Hastily, a grim-faced Mr Parkinson and his wife, Ann, left the Imperial for a side entrance, speeding off in a Daimler. Their own car remained behind, the flowers from well-wishers left to wither on the back seat.

A brief notice about the resignation was read out to the representatives as they gathered for the last day of the conference. By now, thoroughly humiliated by the tangled ramifications of the affair they did what they always do in these circumstances—they clapped.

By that time, the Press was flooding to the conference hotel. A windswept Mr John Selwyn Gummer, the new party chairman, stood on the steps, gallantly trying to keep their orders at bay. This modern Micawber was, as usual, putting the best face on matters.

The Gummer version was that the party and the Prime Minister had stood by the time he had needed their support. But once the Secretary of State had decided that

his position had become untenable, he had done the honourable thing and resigned immediately.

"That seems to me to be a very attractive thing," he declared staunchly.

Pinned in a corner of the foyer, Mr George Younger, the Scottish Secretary, was paying tribute to Mr Parkinson's courage and trying to persuade us that a "lot of good things" were happening at the conference. In fact, good things could be on the way for Mr Younger—some are tipping him as a replacement in Mr Parkinson's job.

A mob of media people pinned Mr Ken Baker, Information Technology Minister, against the reception desk. "We've got something," shouted one radio technician triumphantly, waving a mike. It turned out to be Mr Baker saying to the hotel clerk: "Can I have my bill, please?"

Ferdie Mount, the Prime Minister's speech writer, slipped away quietly in the confusion. Well he might. After all, it was he who originated the Tory campaign theme about the sanctity of family life.

Meanwhile, Denis Thatcher breezed in with a cheerful: "Good morning."

He had just returned from Blackpool Helipad, where a curious scene had taken place. He had stood in for Mr Parkinson who had been due to open a new helicopter pad. Scarcely had Denis completed his few brief sentences at the ceremony when a group of workmen charged in hastily to remove the commemorative plaque which embarrassingly included Mr Parkinson's name.

With this awkward moment behind him, Denis bounded up the hotel stairs, no doubt in search of a quick tincture. Almost unnoticed in a corner of the lounge, a group of Tory matrons sat listening in silence as the whole sorry story was relayed on TV. Their stony expressions were a pretty good indication of the reaction of the rank and file.

Nevertheless, the party faithful were still deeper to express their loyalty they gathered in the afternoon to hear Mrs Thatcher address the conference. A usual fervent burst of applause greeted her entry.

Like the Greek phalanx, the party obediently—the ranks, with more cheers, the Prime Minister, we then met to forget the who had organised the election victory (Mr Parkinson). On the whole, she made routine speeches, with passages on good economic housekeeping.

At the end of it all, she made a massive standing ovation, eight minutes 21 seconds. Maggie still rules. By declared a giant banner, dew-eyed Mrs Thatcher waved back at these staid continued affection from her own people.

In fact, it all seemed to rather feverish. But then the party has been running temperature all week as despite yesterday's show of enthusiasm, it will need some time to convalesce.

John H

Bellwin reassures London ratepayers on cost of scrapping GLC

BY LISA WOOD

LONDON RATEPAYERS will not find themselves suddenly and sharply disadvantaged by the dismantling of the Greater London Council, Lord Bellwin, the Local Government Minister, told conference yesterday.

He was replying to a balloted motion that supported the abolition of the GLC, but argued that some strategic and regional issues were better dealt with by an elected body than by a quango.

Members of the GLC Conservative group have argued that a directly elected assembly with

up to 53 members and its own rate should take over functions of the GLC when it is abolished. Lord Bellwin said conference had been told that the proposed assembly was essential to manage the debts of the GLC. He said the Government would take steps to arrange the management of the debt, as well as pensions and other legal liabilities.

He said it had also been suggested that there would be financial problems if the GLC were not replaced, the Cities of London and Westminster con-

tributed far more than their fair share of the total GLC precept, and they would no longer do so if there were no "GLC mark two," so that rates in all the other boroughs would have to go up.

Lord Bellwin reassured conference: "We shall continue and extend the London rates equalisation scheme so that no ratepayers find themselves suddenly and sharply disadvantaged by the new arrangements."

He disputed claims that spendthrift quangos would take

over GLC duties. The fire service, for example, would be run by local councillors nominated by the elected local authorities.

The Government was not abolishing the GLC, and other metropolitan authorities because they were Labour controlled, but because they were unnecessary. They had no role, he said.

Miss Marjorie Kushner, of the Greater London Area Council Young Conservatives, who moved the motion, argued strongly that the Government should think twice before put-

ting local government into hands of quangos or setting voluntary boards that had public accountability.

"Before we take one step in reforming local government we must first cut it out," she said. Councillor Alan Green, leader of the Conservative group making the GLC, said group totally endorsed Government's manifesto commitment but he asked Government how it could be late to give unions the ballot box and remove the ballot from the cities.

Downfall of a potential Tory leader highlights confusion in public morality

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

THE RISE and fall of Cecil Parkinson reveals far more about the Tory Party than about any of the characters who played a part in the events that brought him down.

He was one of the great successes of the party of Mrs Thatcher, with its broad working-class and lower-middle-class appeal.

He was a grammar school boy, the son of a railwayman, who succeeded as a businessman, as a Minister in a highly technical field, and, above all, as the party's most attractive, high-powered public relations man. His fall and the manner of his going are, therefore, all the more shattering for Mrs Thatcher.

Mr Parkinson has never been regarded as an intellectual or a man of outstanding ability, but his charm, flair for organisation and political sophistication had led many to see in him a possible future leader of the party.

His luck of sophistication in other respects, however, particularly in the handling of his relationship with Miss Sara

Keays, his former secretary, has ended all such hopes.

Cecil Parkinson was born in Carnforth, Lancashire, in September 1931, and progressed from the local grammar school to Emmanuel College, Cambridge, where he got a third in law.

His marriage—in 1956, to Ann Jarvis, the daughter of a rich Harpenden builder—appears to have first turned him towards the Tory Party. As a schoolboy, he had flirted briefly with the Labour Party, and even canvassed for them, but all interest in politics appears to have dissipated by the time he reached Cambridge.

Elected to parliament in 1970 for the safe seat of Enfield West, he remained unnoticed for a very long time. He was appointed Whip in 1974 and promoted to trade spokesman in 1976, but he was virtually unknown outside Westminster and not all that well known inside it.

However, he voted for Mrs Thatcher in the 1975 leadership

contest, and his support was to be rewarded.

Following the 1979 general election, he was appointed Junior Minister to Mr John Nott at the Department of Trade and an unglamorous portfolio involving him in hours of work on the Multi Fibre Arrangement, and giving him little opportunity to shine in public.

In 1981, all that changed. He was appointed by Mrs Thatcher to succeed Lord Thorneycroft as party chairman, a surprise appointment, which catapulted him into the top ranks of the party.

The Prime Minister underlined this by giving him the post of Paymaster General and a seat in the Cabinet, and a year later by appointing him Chancellor of the Duchy of Lancaster.

Despite these obvious signs of the Prime Minister's approval, many were surprised at his appointment to her War Cabinet during the Falklands crisis. Some were inclined to regard him as her pawn, a safe vote that could be relied on to un-

derwrite her majority. But it may also have been important to her to give this authority to the man who, better than any other, could go on television and tell the nation in a relaxed, reasonable and appealing manner what the Government was up to. This he did a great deal, and to good effect.

His greatest triumph, however, was the Tories' general election campaign earlier this year, which, unlike Labour's campaign, came across as a model of discipline, timing, coordination and first-class organisation.

Mr Parkinson was generally given most of the credit for this—not least by Mrs Thatcher herself, with whom he appeared at a Conservative Central Office window to greet the cheering crowds on election night.

His loyalty to Mrs Thatcher personally has never been seriously in doubt, though he is not blind to her weaknesses. But while he always stoutly denied being a wet, those who did not profess to have

detected occasional soggy patches in him.

The Tory Party's reactions to the events of the past 10 days have pointed up a strange conflict between the more of the 1960s and of the 1980s, and those of the working class and the middle class, generating a great deal of confusion as to whether Mr Parkinson would be forced to go, and whether indeed he should go.

The first wave of sympathy was very much with Miss Keays, whom he had first promised and then refused to marry. Had Mr Parkinson followed the example of some of his colleagues and left his wife to keep his promise, it was widely said, he would have got away with it.

However, more traditional values produced a backlash in Mr Parkinson's favour, with a number of Tory women judging that he had done no worse than many.

Everyone had his or her own idea of what Mr Parkinson should have done and should do, but no-one was clear where the political necessities lay. The

Prime Minister insisted throughout that there would be no question of resignation, and her firmness appeared to settle the question in many minds.

But for yesterday's public statement from Miss Keays, he might well have survived as a senior Minister.

His disappearance will not cause such a jolt to Mrs Thatcher's Cabinet as did the demise of Mr Nott, Lord Carrington or even Mr Francis Pym. Despite his elevated position, and his general popularity, Mr Parkinson has always been considered too lightweight to attract a devoted following.

Unlike Mr Peter Walker or Mr James Prior, he does not represent a particular faction at Westminster. Unlike Mr Michael Heseltine, he is not seen as a born leader, and unlike Mr Nigel Lawson, he appears to have made little intellectual contribution.

He was just a nice man, who seemed to symbolise the more attractive face of the Tory Party. As such, he will be missed.



Mr Cecil Parkinson: He succeeded as a businessman, a Minister and a spokesman for his party. But his handling of his relationship with his secretary ended his hopes of leading the Conservatives

Decisions on regional policy and privatisation await the new Secretary of State

MR PARKINSON'S resignation leaves to his successor a pile of decisions and problems as high as on any Ministerial desk in Whitehall, writes John Lloyd.

The most difficult to resolve will be regional policy, a review of which has been under way for some months and a White Paper is likely by the end of the year.

The review is inter-departmental—Mr Patrick Jenkin, the Environment Secretary, will have much to say on the matter—but the De-

partment of Trade and Industry is the main disburser of funds.

The new Trade and Industry Secretary must determine how much—if anything—he will cut from the regional budget; how far he will swing away from automatically payable regional development grants to selective aid to help create jobs; whether he will remove assisted area status from some areas and grant it to others.

In his last speech, to the

Conservative conference on Thursday, Mr Parkinson concentrated on his plans to return large parts of the nationalised industries to the public sector.

The decline in the losses of the state monopolies has been a success story of which Mr Parkinson made much but the success is relative. The privatisation of all or parts of state companies will be delicate—for example, while Unipart and Jaguar are profitable parts of B.L. will they be able to meet their future

capital requirements as independent companies, shorn of Government support?

The warship yards of British Shipbuilders are also likely to be floated off from the loss-making, civil divisions, and these yards are profitable. But their future depends heavily on Ministry of Defence orders, while the civil yards' prospects look terribly bleak.

Also, the short Bill required to exempt the Stock Exchange from proceeding under the Restrictive Prac-

tices Act has yet to be approved by the incoming Secretary.

Perhaps the major piece of parliamentary business which the DTI is to put before MPs is the Telecommunications Bill, a massive piece of legislation whose existence is now the subject of sporadic industrial action by the telecom engineers.

Mr Kenneth Baker, the Information Technology Minister, was always meant to lead on this, but the new Secretary of State will have

to familiarise himself rapidly with a measure which will be hard fought by Labour.

The new incumbent's job will be made no easier if he assumes the programme of foreign travel which Mr Parkinson had mapped out for himself.

Mr Parkinson's background in Trade bequeathed him a feel for the international arena, and he was a convinced free trader. It will be important to British industry whether his successor shares the same instincts.

American buying for the mighty ICI

NAGGING DOUBTS about the rate of inflation returned to the market this week and the latest batch of Department of Trade statistics on manufacturing input and output prices did little to calm nerves. The annual rate of increase in fuel and raw materials costs rose from August's 8.4 per cent to 9.5 per cent last month. Foodstuffs may have had a disproportionate impact but even so the numbers were not the stuff of modest inflation.

Meantime, however, the money supply figures lived up to expectations, showing that Sterling M3 had come back within the Government's target range of 7 to 11 per cent. Yet if that was encouraging it did little to lift hopes of an early cut in short term interest rates. Conventional gilts languished.

But index-linked gilts were a different matter. They formed the only part of the market to show any sort of favourable response to the latest round of official statistics. The reward for such enthusiasm was the launch of £750m of a new stock. Dated 2020 it has the distinction of carrying the longest date anywhere in the market—one for today's generation of institutional actuaries to take on board for their successors.

Equities fared very much the role of poor relation. Prices in general have been falling all week. The glaring exception, putting aside bid stocks, was ICI where American buying set the pace. U.S. investors have been piling into the British group for most of the year and now as much as a tenth of the equity is in American hands.

The buying reached a crescendo this week when around 6 1/2m ICI shares changed hands on the American Stock Exchange in two days. Pharmaceuticals have been a favourite for some time and there is also growing interest in ICI's revolutionary Tactel fibre. Even so much of the action is in anticipation of the trip by Mr John Harvey-Jones, ICI's chairman, to the States. This will include a series of meetings with U.S. investment analysts timed to coincide with the listing of the group's American depository receipts on the New York Exchange.

Gloom at Glaxo?

Where ICI's share price is going Glaxo's has trod before. A chart of the pharmaceutical group's price since mid-1980 bears a striking resemblance to the north face of the Eiger. Leastways it did till this spring. From 90p in

LONDON

ONLOOKER

1980 the shares touched 990p thanks to enthusiastic buying from both sides of the Atlantic. But it's hard work living up to an image.

Despite drifting for months, the price had seen nothing like the collapse of this week. In five trading days £10m has been wiped off the market capitalisation. Glaxo's crime was to produce a full year profits increase of "only" 44 per cent to £192.4m pre-tax. The market had talked itself into expecting profits of over £200m and anything less would just not do.

Of course the group's trading performance lacks nothing. The launch of the anti-ulcer drug Zantac is going well. Sales went up by around £70m to £100m and its profits-contribution must have been worth some £25m. And since the year-end it has been launched into the States. Marketing costs are undoubtedly heavy but initial sales have been remarkable by any standards, with a market share of 14 per cent in the U.S. grabbed since the summer.

Brokers' forecasts for the current year are bunched around £250m pre-tax and the consensus view is that the shares are a "Buy." Even so there must be a lot of people willing to take a profit if the share price resumes its upward climb.

Mirror image.

News that Reed International is preparing to cast the Mirror Group adrift by way of an offer for sale next year has got the City's blood racing. Already the market talks airily of a £100m valuation for the Mirror, not bad going for a national newspaper group that made profits of just over £8m last year.

Of course it was not the thought of a direct stake in the last national paper supporting Labour that stirred the young men of Throgmorton Street, it was the consideration of the Mirror's 7.8 per cent stake in Reuters, the highly successful news agency.

Reuters computerised information technology is the bright jewel in the tin crown of Fleet Street. Give or take £100m or so, the City believes that Reuters will come to the Stock Market with a £1bn price tag.

Suddenly newspapers are fashionable despite themselves.

Trafalgar paved the way last year when it demerged Fleet Holdings, publishers of Express and Daily Star newspapers. From a disillusioned price of 15p earlier this year Fleet has been as high as 134p as the real worth of its 12 per cent holding in Reuters was under stood. Yet Fleet's market capitalisation is less than £110m. Not surprisingly, Fleet looks vulnerable to a bid—Mr Robert Holmes & Court, the Australian who has bought Lord Grade's ACC, has already pocketed a 5 1/2 per cent stake.

Even if Sir Alex Jarratt, Reed's chairman, really meant it when he said the move did not reflect a disenchantment with national newspapers, the chance to float the Mirror while the City is captivated by Reuters must have been irresistible. The sale will pump cash into a heavily borrowed balance sheet and, of course, distances Reed from the tricky world of Fleet Street.

Money for MFI

If anybody had drawn up a list of likely rights issue candidates MFI would almost certainly have been absent. Yet first thing Thursday morning the furniture retailer popped up with a modest one-for-seven issue to raise £28.8m. It is the first time it has turned to its shareholders for more money, and the excuse now is to finance

a rapid acceleration in the store opening programme.

In the year to next May MFI intends to increase its trading area by 500,000 square feet to 3.5m square feet and add a similar amount in the following twelve months. Beyond that a further 30 openings are envisaged and a similar number of relocations. While the rise of

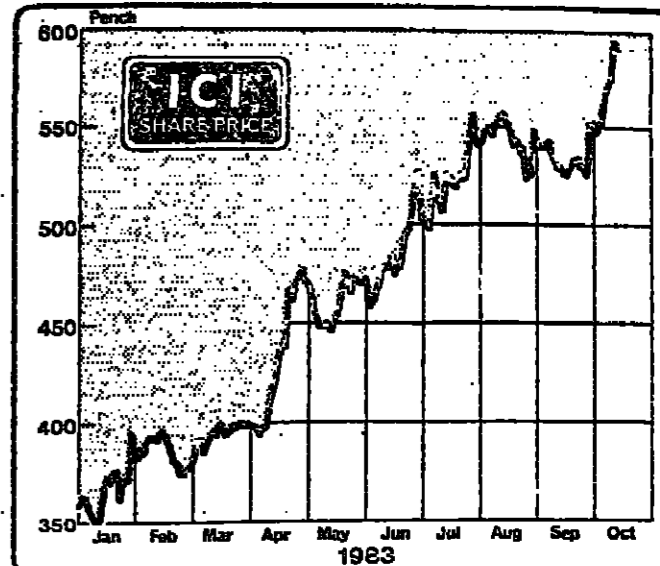
MFI to a national name has been more or less funded by cash flow and some modest borrowing the directors say that the strain of covering capital spending approaching £30m a year is too great a burden. Now MFI should be able to sail through its expansion with hardly any debt at all. Indeed instead of capital gearing of 10

per cent or so that might have been expected at the end of this year MFI will probably be earning itself income on perhaps £10m of cash.

Despite the strong performance last year when profits doubled to £30m the shares have drifted over increased fears of how MFI will cope if consumer spending comes under pressure

MARKET HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1983 High	1983 Low	
F.T. Govt. Secs. Index	81.10	-1.07	83.60	77.00	Inflation/interest rate doubts
F.T. Ind. Ord. Index	678.5	-31.3	740.4	598.4	Selling in unwilling market
Applied Computer Tech.	355	-63	553	250	Competition fears
Britannia Arrow	77	-16	95	42	Proposed rights issue
Ferranti	540	-60	680	406	Fears of defence cuts
Glaxo	710	-85	990	635	Prelim. figures disappoint
Hadson Petroleum	80	-22	128	38	Disappointing drilling report
Hoover A	217	+24	220	105	U.S. parent bid
ICI	574	+14	596	350	Strong U.S. buying
Johnson, Matthey	262	-30	340	260	U.S. jewellery losses
Lloyds Bank	435	-28	576	395	International debt problems
MFI Furniture	128	-16	164	128	Proposed rights issue
Mercantile House	324	-33	445	312	Chairman reduces holding
Minster Assets	84	-14	118	77	Chairman's warning on prospects
Moorside Trust	107	+13	107	68	Agreed bid from Guinness Peat
Morland Secs.	72	+24	85	41	"Shell" hopes after 52p bid
Reed Intl.	328	+12	338	230	Daily Mirror sell off
Sunlight Service	263	+48	265	139	Revised Brangreen bid
Thorn EMI	568	-50	627	416	Analysts profits downgrading
Ward White	92	-14	108	75	Proposed rights issue



in the future. And a rights issue is not going to win back friends. Only two months ago one broker was bold enough to go into print with "A rights issue looks unnecessary and undesirable"—a common enough view even today.

Friendless Coats

Yet for a company that is really friendless you would have to go a long way to beat textiles group Coats Patons. In the half year to June profits improved by a third to £33.8m even though its South American interests fell away by around a quarter. The market is now thinking in terms of a small setback during the current six months but still profits should

top last year's £77m by £5m, perhaps more.

That points to an earnings multiple of only 4 1/2—so Coats is one of the lowest rated stocks in the textile sector. The company's record is dull at best while the heavy involvement with Latin America—30 per cent of profits—raises an important question mark against the quality of its earnings.

That said, the market's judgment to an end and the reorganisation struggle to rationalise its European operations is coming to an end and his reorganisation cost both above and below the line will disappear after this year. Sales in the UK, North America and Australia show improvements and profits there are growing by some 13 per cent.

Growth horror

SOMEWHERE OUT beyond Wall Street there is a real economy. Dealers with their eyes fixed on the Federal Funds rate tend sometimes to forget it. But this week they decided to look again at what was really happening in the bowels of industrial America, and it made them sit up, think and react.

It is one of the paradoxes of the current situation that what would have been regarded as good and eminently desirable only a year ago is now looked upon with suspicion—namely, vast growth. At what the market saw this week is that the expansion which started way back in the fourth quarter of last year may still be racing ahead at a spanking rate.

The conventional wisdom holds that this is, if not bad, at least on the wrong side of what is desirable. If expansion goes ahead too quickly, inventories will have to be rebuilt too rapidly, the cash demands of industry will escalate, interest rates be pushed up, and the profits and loss accounts begin to suffer again from high debt servicing.

In the summer, the consensus of opinion was that the economic statistics were moving in the right direction. But the slow-down which analysts were then detecting, has begun, to look less significant than originally thought. Unemployment and retail sales figures have fuelled the change of mood, the debt markets have responded by pushing up rates and equities have fallen into time by losing a good part of their previous week's gain: indeed Tuesday's 19.51 point fall in the Dow Jones Industrial Average was the largest since August 8.

The third quarter figures which began to roll in during the week certainly confirmed that the recovery is still spreading strongly through industry, although it does not appear to have broadened into the sectors that normally lag in the demand-led recovery.

General Electric's report showed these trends very clearly. Group profits were up 11 per cent, interest charges have fallen considerably, but the growth had not yet spilled over into capital goods sectors. Yet in the consumer-oriented divisions it had moved very rapidly, with profits in household appliances doubling in the quarter from a year ago, on sharply higher volume.

By the time General Electric reported on Tuesday, however, the market seemed to have decided that all this bouncy news was too much of a good thing. By then the Industrial Average had soared by 53.35 points in a five day rally which had taken the index to yet another record of 1284.65 on Monday.

The advance, highly concentrated on blue chip stocks in

NEW YORK

TERRY DODSWORTH

the early stages, had steadily broadened, with the New York stock exchange composite index of 1,500 stocks also touching a new record at 99.63, and Standard Poor's 500 index achieving the same at 172.65. Both of these wider measures had previously been hovering below their high point set on June 22.

When the market moved into reverse, however, it did so in style, knocking almost 30 points off the index on Tuesday in the biggest fall since early August. The movement was flagged by the credit market which had been closed on Monday for Columbus Day, but had reacted adversely to increased money supply figures on the previous Friday. On Tuesday, the 30 year long bond fell to 108 1/4, saving bonds at around 106 1/4 in the middle of the previous week, and during the week the feeling had strengthened that the Federal Reserve Board is going to do little to push down interest rates until the end-year performance of the economy is clearer.

In this retreat, healthy third quarter figures appeared to be of little help: General Electric fell 1 1/2 to 54 1/2 as its report came out, and a day later CBS dropped 3 1/2 to 57 1/2 despite a 32 per cent increase in net profits. The market, indeed absorbed the big shock of the reporting week much more readily, when InterFirst, a Texas energy bank, quietly slipped out its announcement of the largest quarterly loss — \$194m — in U.S. banking history.

InterFirst's shares have weathered the storm, falling by only a dollar to 18 1/2 over the week, partly because they have been anticipating unfavourable results and partly because the bank has been able to display a fairly strong capital face.

But the announcement has demonstrated that the problems of Texas energy spending go far deeper than was thought after the Penn Square debacle 18 months ago. And this view was later reinforced as the Federal Deposit Insurance Corporation was forced to inject \$100m into First National Bank of Midland, based in oil-rich western Texas, when it too announced escalating losses and stated that a quarter of its loans are now non-performing.

MONDAY	1284.65	+12.50
TUESDAY	1265.14	-19.51
WEDNESDAY	1259.65	-5.49
THURSDAY	1261.38	+1.73



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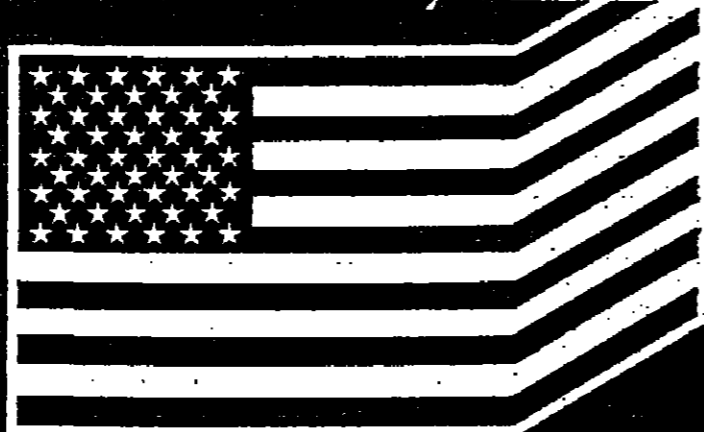


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THE EMERGENCE of a new unit trust management group at the end of August with the grand name of Scottish Unit Managers marked the largest launch of new units on record in the UK, amounting to £83m of assets.

SUM and its four unit trusts, Scottish Pacific, Scottish North American, Scottish World Growth and Scottish Income, are the products of a series of bitterly contested take-over bids made by English institutions for Scottish companies over the last year.

The four unit trusts' assets come from two different investment trusts, Dominion and General, which was managed by the now defunct East of Scotland Investment Managers, and Scottish Ontario, which was managed by the Edinburgh accountancy firm offshoot, Martin Currie.

The majority stake in the newly-formed Scottish Unit Managers is owned by Martin Currie while the British Linen Bank, the merchant banking subsidiary of the Bank of Scotland, holds a minority interest.

In March, Scottish Ontario and Dominion and General proposed to merge and form unit trusts from their assets with a third investment trust, Pentland, also managed by East of Scotland. But the addition of Pentland, which would have made SUM the largest unit trust management group in Scotland and one of the 15 largest in the UK, was thwarted.

The driving force behind the decision to convert the investment trusts, shares of which are bought and sold on the Stock Exchange, into unit trusts, where the units can always be sold back to the fund managers, did not come from their Scottish managers. In spite of their opposition, the conversion was imposed on them by two English institutional fund managers who had bought up major stakes in their investment trusts.

These were Ian Henderson, investment manager of the London and Manchester insurance company, and Matthew Oakshott, who runs the £400m Courtaulds pension fund (see adjacent article).

Their motive in creating the four Scottish unit trusts had little to do with giving the sma investor, for whom unit

UNIT TRUSTS...

Fall-out from battle with the Sassenachs

trusts offer a lower risk investment, the opportunity to benefit from the skills of Scottish fund managers. Their objective was to unlock their investments in the funds at a price close to the value of the funds' underlying assets.

Such a price is guaranteed when cashing in the units of unit trusts. By contrast, the shares of investment trusts generally trade at a substantial discount to their asset value.

Henderson built up a stake in Dominion and General while Oakshott went for Scottish Ontario. Shortly afterwards, the City-based Throgmorton investment trust built up a hostile stake in Pentland, after a knife-edge battle which split over into the Scottish law courts, the majority of Pentland shareholders accepted the Throgmorton takeover proposals rather than the proposals of the East of Scotland managers, to convert Pentland's

CLIVE WOLMAN looks at a Scottish management group that has been compelled to enter the unit trust market.

portfolio into unit trusts in the SUM stable.

Since the Scottish unit trusts were set up, therefore, the English institutions have been cashing in their units and have already reduced the combined size of the four trusts by over £20m. The managers, Martin Currie, have not yet developed the marketing infrastructure to persuade large numbers of small investors to take up the units being cashed in by the institutions.

However, when the institutional withdrawal is complete, SUM will still have an esti-

mated £30m to £35m of funds under management, making it the second largest unit trust group in Scotland, after Edinburgh Fund Managers, which runs the Crescent unit trusts.

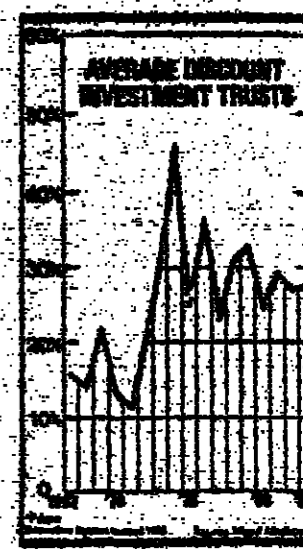
Moreover, because of the British Linen Bank connection, many of its units in future are likely to be sold through the 500 retail branches of the Bank of Scotland.

The style of investment management differs significantly from that of City-based unit trust competitors. The seven managers who run the funds are all partners in Martin Currie. They all sit in the same room and consult one another over investment decisions. There is not much individual specialisation in the different areas of investment.

Such a small staff means also that research possibilities are limited and the partners rely mainly on long-established contacts with stockbrokers. As with several other Scottish management teams, their contacts with regional U.S. brokers outside New York are particularly strong.

Their emphasis is on seeking under-valued companies rather than switching between sectors in anticipation of changing fashions. They are however committed to switching actively between different world markets (though they were caught out by the recent collapse in Hong Kong).

Such a traditional style of portfolio management has been under threat in Scotland over the last year from predatory investment institutions. The share prices in the two large surviving investment trusts under Martin Currie's management, Scottish Eastern and Securities Trust of Scotland, are languishing at discounts of over 30 per cent to the value of their net assets, an indicator of their lack of popularity among investors



and their relatively low rate of the last ten years.

However, the performance of Martin Currie's only long-term unit trust, called Ma Currie, has picked up over the last 18 months, putting it on the most successful in the international category. With a 100% rise, the managers' control over £50m of assets

In the opposite corner Charlotte Square, Edinburgh, the fund managers were operating with a similar structure to Martin Currie years ago. But by expanding rapidly its research staff, particularly in overseas markets and attracting pension funds, it survived the downturn in 1977 of its large Edinburgh and Dundee investment trusts by British Rail pension funds. In recent years the performance of its investment trusts has been among the best in the UK.

For Martin Currie and British Unit Managers, however the shake-up has only begun.

A £2,500 profit or a £7,000 loss

JOHN MOORE concludes his series on becoming a name in the Lloyd's insurance market.

MEMBERSHIP OF Lloyd's, the insurance market, offers sufficient financial and taxation advantages to attract more than 17,000 wealthy individuals, with little knowledge of insurance, to pledge all their wealth in return for a stake in the prosperity of the community. Together with 4,000 or so Lloyd's professionals, who form the remainder of the membership, they accept the principle of unlimited liability.

The latest figures from Lloyd's may suggest to outsiders that the market could not be in better shape. Record profits of £264m for the whole of the market for the last underwriting account of 1980 were announced a few weeks ago.

The performance of individual insurance syndicates, into which all members of Lloyd's are grouped, however, shows wide variation, according to figures recently published by the Association of Lloyd's members. The Association was formed to protect the interests of Lloyd's members.

A member of one marine insurance syndicate, for example, would have received a payout of £2,512 for £11,243-worth of business accepted on his behalf. Some £858 of the payout comes from the underwriting profit and investment income during trading after the deduction of expenses.

The remainder of the payout is due to capital appreciation which, after the deduction of capital gains tax, totalled £1,654. Another marine syndicate, rewarded its members with a sizeable loss. For each £11,969-worth of business underwritten for its members that syndicate produced losses of £6,932, after allowing for capital appreciation of £229.

On average a member of marine insurance syndicates might have received a payout of £654 for each £10,000 of business accepted on his behalf in the 1980 underwriting account. This compared with £227 in the previous underwriting period.

To be successful at Lloyd's, potential members need to find the best syndicates, and that means finding the underwriting agent who manages or has access to the best syndicates.

In contrast to an investment in stocks and shares, members at Lloyd's find it difficult to arrange a diversified "portfolio" of syndicates which offers them the prospect of a reasonable return.

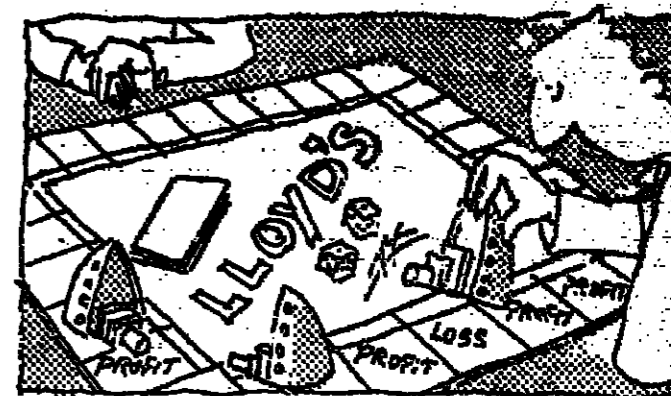
Members' agencies—they introduce members to Lloyd's rather than manage syndicates—cannot offer a full portfolio management service because they do not have access to all the syndicates in the Lloyd's market. They have to negotiate

with managing agency groups, which run underwriting syndicates and appoint active underwriters, for places for their members on the syndicates.

The same is true of managing agents. In addition to running syndicates, most managing agents can also introduce members to Lloyd's but they too do not have access to every syndicate in the market.

There are other pitfalls. The standard of accounting and reporting to members has not been high. It is often difficult to obtain a full breakdown of syndicate expense items. Moreover, there have been abuses in the arrangement of reinsurances for syndicates.

At present Lloyd's is under-



going an extensive period of reform. For the first time ever it is planning to organise a central registry of all the reports and accounts of insurance syndicates in the market. This registry will be open to the public and it will be possible for prospective members, on payment of a fee, to see how well or how badly individual syndicates have performed. The standard of accounting is also being raised.

Even so, membership Lloyd's should not be entered lightly—and only those seeking a supplement to income, rather than an alternative, should consider becoming members.

Lloyd's League Tables: Association of Lloyd's Members, published by Chatet, Wharfedale House, Carmelite Street, London, EC4.

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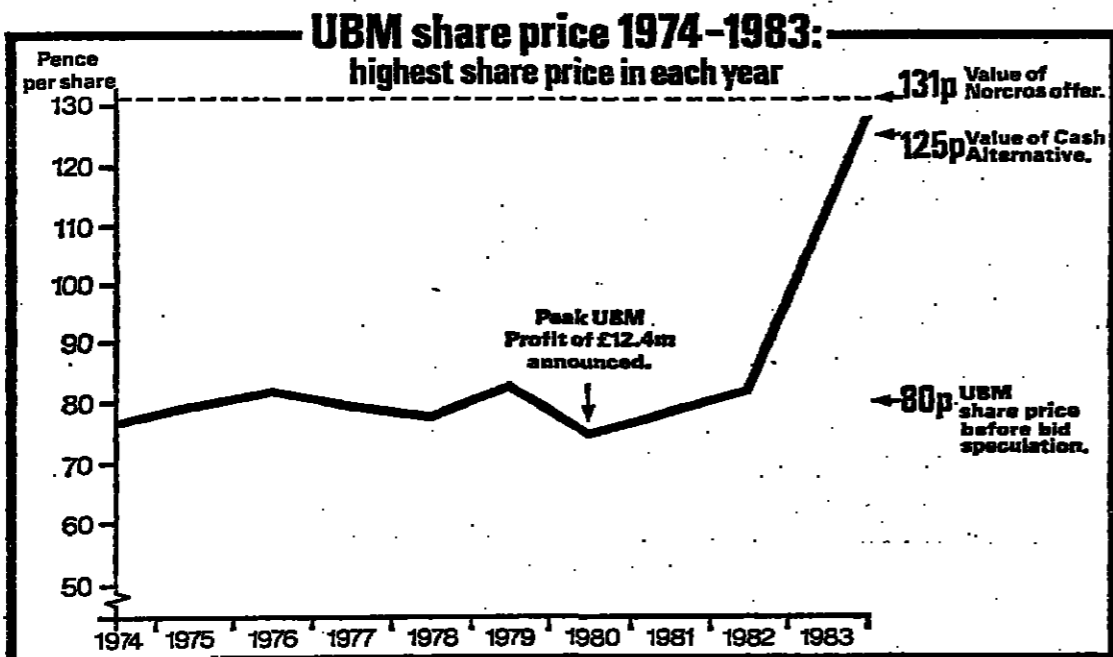
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INVESTMENT TRUSTS

The sector's scourges return to the prowl

CLIVE WOLMAN looks at the careers of the two fund managers behind the asset-stripping of investment trusts

FROM THE sparkling granite Victorian terraces in the West End of Aberdeen to the tower blocks in the eastern wards of the City of London, investment trust managers are living in fear of a knock on the door and a request for "a friendly chat" with Ian Henderson or Matthew Oakeshott.



Ian Henderson

These two men, who respectively run the London and Manchester insurance company's investments and the Courtaulds pension fund portfolio, have been spearheading a drive to liquidate some of the worse performing investment trusts and reduce the size of the sector.

Their take-over bids, and threats have meant that several thousand private investment trust shareholders have been able to sell out at increased prices which more closely match the value of the trusts' underlying assets.

Matthew Oakeshott took over the Courtaulds pension fund, now worth over £400m, in 1981. His first victim was the £15m Grange investment trust managed by Touche Remnant, which he took over in October 1981.

"I bought up shares whenever there was an opportunity and waited," he said. His first major opportunity came when he arranged a swap with the Kuwait Investment Office which gave him a major chunk of the equity in the £30m Scottish Ontario investment trust, in exchange for a stake in Pentland Investment Trust.

With Scottish Ontario now unlisted, Oakeshott will have £14m to spend by December, and most investment trust managers believe he has a few more tricks up his sleeve. The major outstanding stake he continues to hold is 17 per cent in Murray Glendevon, managed in Glasgow by Murray Johnstone.

"Their performance has been improving recently so I'm not doing anything at this stage," he said. "But I visit regularly

those trusts in which we have taken a stake and let them know what we expect."

Oakeshott, aged 36, worked as an economist for the Kenyan Ministry of Finance and at Nuffield College, Oxford, before acting as special adviser to Roy Jenkins from 1972 to 1976, which included his period as Home Secretary.

When Jenkins went to Brussels, Oakeshott joined Warburg's merchant bank, as an investment manager, until he moved to Courtaulds. In the June elections, he was the Social Democratic Party candidate for Cambridge, and played a major role in the negotiations with the Liberals over the allocation of constituencies.

He brings his political experience to bear on his investment management. "Before buying up shares in an investment trust," he says, "I will always go through the list of shareholders and find out their interests. I have to work out who may be willing to sell out and who I can do a bargain with."

He has also used his political experience and detailed knowledge of constituencies to make a lot of money for himself by betting on a variety of election results.

In investment management, his other chief interest is in property, where he can use his knowledge of the country's political and social map. At the height of the take-over battle for the UDS Group in February, Oakeshott jumped into the fray



Matthew Oakeshott of Courtaulds pension fund

to buy 133 shops for a bargain £20m from UDS which was anxious to realise some of its assets.

To generate some cash for his ventures in 1981, Oakeshott sold many of his gilts and missed out on the subsequent boom. Investment trust managers complain he is now picking on them in an attempt to make good his error.

Certainly, buying investment trust shares when they stand at a 30 per cent discount and unlocking the assets at their full value can be highly profitable, for Courtaulds pensioners. Oakeshott believes that the discounts reflect a chronic over-supply of investment trusts. "I believe that the size of the sector should come down to £5bn," he says. "Only then will the discounts disappear."

At present, the net assets of the sector are nearly £13bn while the market capitalisation of all the trusts is only £9.1bn. If Oakeshott's target was achieved at current share prices, £3bn worth of assets would be obtained for only £4.1bn.

The other investment man-

ager following a similar policy to Oakeshott has been 50-year-old Ian Henderson, a former naval officer and actuary. When he took over the investment department of London and Manchester Assurance in 1980, moving from Scottish Equitable, he inherited a large investment trust portfolio, built up in the 1950s and 1960s, which is worth over £140m.

He has been a prime mover behind the unifications of Dominion and General, United States and General, Touche Remnant's Cedar investment trust and Schroder's Broadstone Investment Trust. He has declared substantial stakes in more than 20 other investment trusts, although at present he is not pressurising any of them to unite or go into liquidation.

Among the more vulnerable trusts are London and Lennox, City of Oxford, The 1928 Trust and possibly the Aberdeen Trust. These are just a few of the unspecialised investment trusts which have been forced to seek a new role for themselves in an economy where a growing proportion of people's savings are locked up in insurance companies and pension funds.

vestment growth which occurred before his return will be free of UK taxes.

Both of these plans are non-qualifying policies. So if they are cashed in only after the expatriate returns, any investment gains after that date will be subject to tax, but only in the year when he cashes the investment in.

The third plan, the Ten Plus Plan, is designed for the 43 per cent of expatriate workers who intend to remain abroad for more than 10 years. The plan is a "qualifiable" policy and after premiums have been paid for 74 years, the expatriate is not liable to tax on the proceeds of the policy even if by then he is living in the UK.

Andrew Arends

INVESTING IN RETIREMENT

Cordon Bleu catering on £10,000 a year

In the second article of her series, CHRISTINE STOPP discusses the problems of a couple taking early retirement

THE FIRST of our case studies was provided by brokers Chase de Vere. The situation described is based on that of an actual client, though names and some minor details have been changed to preserve anonymity.

Charles and Lorna Morris are aged 60 and 58. Earlier this year, Charles took early retirement from his position as director of a merchant bank. He got a golden handshake of £98,000, and his pension was deferred until age 65. He has a £25,000 endowment mortgage on his £80,000 Surrey house, other liquid assets are £2,500 in a deposit account, and £10,500 proceeds from a life policy.

The Morris' wanted to use their available assets to provide a net annual income of £10,000 for the next five years until the pension becomes payable. They didn't want the whole lot to disappear in the process. They may need it in future years to supplement Charles's pension.

The three children are not in need of financial help—they all have careers and families of their own. However, Charles would like to help out with expenses such as school fees for his grandchildren when the time comes.

The total sum available—golden handshake plus other assets—is £83,000. Chase de Vere suggested that it should be used as shown in the table. The six investment spread is conservatively constructed, with only 36 per cent of it in an equity-linked medium.

It makes use of the current issue of National Savings Certificates, which give the equivalent of 8.25 per cent tax-free annual growth over five years, and a limited issue building society account paying 1.15 per cent above the ordinary share rate, with no withdrawal penalties, on a minimum balance of £10,000.

Though the differential is guaranteed, the rate will fluctuate with building society rates generally. The same is true of Chase de Vere's own Maximum Interest Bond, which is a building society investment paying

21 per cent over the ordinary share rate. The money is tied up only for one year, instead of the standard two years.

The Henderson Management Service is one of a number of discretionary portfolio management services run by unit trust groups. Money managed by Henderson will be spread over up to eight or nine unit management trust groups with no more than 40 per cent in any single one, Henderson included.

The money placed with them is managed for growth, not income. The "net income" shown in the table is achieved by making regular sales of units which will be liable to CGT rather than income tax. In this in-

tax relief, and are unwilling to move to a smaller house. Their present house, with its mature garden, is suitable for their Cordon Bleu entertaining and nurturing prize chrysanthemums. The lump sum they have is adequate at present.

Of the total fund, the building society account and unit trust can be cashed in within a few days, as can the National Savings Certificates, though only with heavy interest penalties. Only the bond and the Crusade plan are tied up.

The latter is a nine-year temporary annuity paying a regular income, part of which (under 10-year with profits endowment policy with the aid of tax relief

	Amount £	Net income £	Annual net income as % of capital invested
Learnington Spa Building Society	10,000	878	8.8
Top Ten Share Account	15,000	1,402	9.3
Chase de Vere Maximum Interest Bond	5,000	—	—
National Savings Certificates 26th Issue	—	—	—
Henderson Unit Trust Management Service	30,000	5,500	18.3
Crusader Strategy for Income Plan	23,000	2,392	10.4
Total	83,000	10,172	

stance, the amount taken annually is just over the capital gains exemption limit of £5,300. The management service is instructed quarterly to sell units from the most appropriate area of the portfolio.

This system of taking income from unit sales fell out of favour after the crash of 1973-74 and the system could come unstuck again in a prolonged bear market.

The investor must rely on nimble management and exposure to an international spread of markets for protection. Such management has its costs, and the Henderson service, at £200 a year plus VAT, is expensive.

Once in operation, the plan will leave the Morris' free to leave the Morris' easily within the basic rate tax band. Assuming the married man's allowance of £2,795 plus mortgage interest of £2,800, they could have an income of £20,000 and still only pay tax at 30 per cent. However, with a much higher yield it would be hard to avoid investment income surcharge.

Charles and Lorna decided against redeeming their mortgage, on which they receive

The income shown is not of the endowment premiums. On maturity, the endowment policy gives a tax-free payment equal to the original lump sum. I should be pointed out that a major part of Chase de Vere's commission will come from the sale of this illiquid Crusade plan.

What is the growth picture after five years, when Charles Morris's need for investment income will cease? The building society account and bond will simply return the original capital, with no growth. The £5,000 in the 26th issue will have grown to £7,454.

Assuming a regular 12 per cent growth rate in the unit trusts and allowing for withdrawals, the value of the unit after five years would be just over £17,200. At the end of the five years, therefore, Charles should have almost £50,000 in hand, 60 per cent of his original sum.

The tax-free £23,000 from the endowment policy will be available after 10 years, although if inflation averages 10 per cent per annum over the period (low by 1970s standards), its value will be only £8,870 at today's prices.

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An autumnal feeling in the Dordogne

BY JUNE FIELD

This is the time of the Vendange (harvesting of the vine), in south-west France. Next month the little truffle-pigs will be sniffing out the black truffles, strange exotic tubers fastened to the roots of stunted oak trees on terre brulée, burned ground.

And in a tiny village not far from Saint-Cyprien, near Limoges, the geese waddled contentedly along by a walnut tree, blissfully unaware of the fantastic fattening-up process that waits for them for the production of foie gras.

Across the road is the old stone house I have seen many times over the years. Clinging

to the side of the rock upon which the 15th century chateau is built, the house and barn were rescued from almost complete dilapidation by a British couple. Fully restored for comfortable, but fairly basic holiday living (it can earn £1,500 to £1,800 a year in rent the owners told me), the place is now for sale at around £38,000 plus agency commission, which often has to be paid by the purchaser in France.

For this you get a new roof, new windows where there were just rough openings before, three bedrooms, large living-room, kitchen and bathroom,

plus the original balcon portique, characteristic of an old Périgord house, which the family use as a breakfast terrace. Plumbing, electric wiring and reinforcing walls were major jobs in a house where the main accommodation used to be reserved for the animals.

Initial setbacks included the realisation that the new roof timbers would not support the weight of the old tiles. (They were carefully saved to pave the patio and make a rock garden). Modern mécanique tiles had to be used instead. And when it was first fitted the shower soaked through to the floor below.

So this is the sort of place that, with all the truffles over, and the work done, that outsiders are buying now, in what Samuel Chamberlain in his incomparable *Bouquet de France* termed "some of the most soul-satisfying landscapes in France."

Dreams of doing-up an old cottage at the drop of a hat in between rustling up fragrant poi-au-feu produced from home-grown vegetables, have long since vanished into limbo.

"Those who managed to achieve it in the first flush of enthusiasm during the early 1970s, while eminently satisfied when it was all over, say they would never go through it again," asserts Nicholas Brimblecombe who started selling property in rural France about that time.

About seven years ago Nicholas broadened his services to encompass Vacances en Campagne which has become the recognised leader in renting farmhouses and cottages of traditional style, covering 17 different regions of rural France, all unspoilt and peaceful locations. With plenty of personal experience in working in France (he has been involved in the rescue of several small ruins), he can advise on the best way of going about buying as well as equipping a house for letting.

"You don't want to fill the place up with a lot of beds—busy people want to as much privacy as possible," he says, recommending that you make a separate guest room or place for the children to sleep by converting the barn that nearly always goes with a country place. Some £6,000 or so spent on a swimming pool is a worthwhile investment too.

For a detailed folder setting out rental details plus brief property-for-sale notes (he still has the occasional house at around £15,000 which only needs a small amount of work to make it habitable), from Nicholas Brimblecombe, Vacances en Campagne, Manor Courtyard, Manor Farm House, Bignor, Pulborough RH20 1QD (07987 366).

Frank Rutherford, French property consultant in the business for some 20 years, also finds changes in the market. Many of the academic and artist buyers that I used to write about 10 years ago have long since given up and returned home.

"Getting to really know people in the country can be difficult," he admits, being half-French himself. "You do need to know a little of the language, and accept that the French middle class, both professional and farmer-type, however friendly, are not the 'hail fellow well-met' gregarious fellows who congregate down the pub as the British do."

"The buyers now are usually self-sufficient city men in commerce or advertising, or doctors, in their late 30s or 40s, with young families, who need the get-away-from-it-all atmosphere of the Dordogne. Also interested are those who are retired or thinking of staying on when they are. Here too, it is even more important to realise how lonely a hamlet with a few cottages in a strange land can be."

For Frank Rutherford's listings, write to him at 11, Canning Place, London, W8 (01-581 1978). The areas that he specialises in are centred around Ribérac, west of Périgueux, pleasant market town on the river Dronne. There is a



Old Dordogne house and barn in Berbigon, with restoration nearly complete—the new roof, stone and first floor windows are in, and the original balcon-portique restored as a breakfast terrace. For sale fully renovated at around £38,000 through Nicholas Brimblecombe, Vacances en Campagne, Manor Courtyard, Manor Farm House, Bignor, Pulborough, RH20 1QD (07987 366).

daily bus service to Angoulême, 35 miles, with express train connections to Paris, Bordeaux airport is 70 miles away.

Most of the cottages and farmhouses are built of dressed limestone with very thick walls, their shallow roofs supported by huge oak beams and vaulted rafters. There is no shortage of timber in Ribérac, and often floors are made of wide, hand-hewn oak, pine or sweet chestnut parquet.

A barn can still be bought for around £8,000, but planning permission and change of use is

needed to convert it into a dwelling, and although it is usually forthcoming, the whole procedure takes time.

Reasonably modernised cottages can still be found around £15,000, but over the £25,000 threshold you can really pick and choose. "The prices, basically, of old properties have flattened considerably over the past year or so. The ordinary domestic market is hardly moving," Frank affirms, so it is a buyer's market for those who can take the time to search for what they want.

Provided that the place is not a collapsing shell, a bathroom kitchen and septic tank should cost about £5,000 to £6,000, depending on how elaborate you expect it to be.

"But do not expect a show of full particulars of places you would in England," he says. The brief listings are just means as appraisers, one has to take the chance that by the time you arrive a farmer may have sold the property you had not so heart on.



Typical three room cottage with pigeon tower and small barn, in south west France. Unconverted, this sort of country property is in the region of £16,500 through Frank Rutherford, French Property Consultant, 11 Canning Place, London, W8 (01-581 1978).

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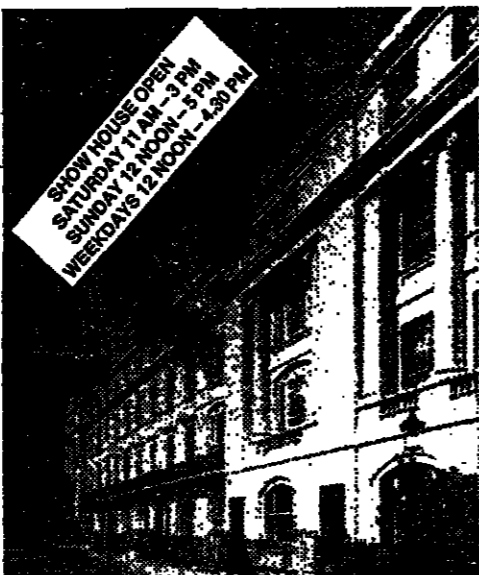
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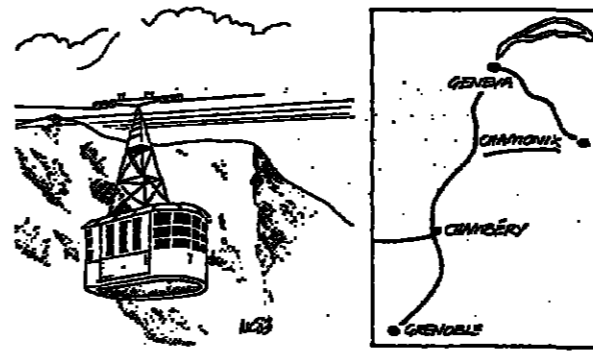
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TRAVEL

Some sorry tales of travelling in Russia

By MARY ANNE SIEGHART

Determination, not to say, bossiness is required to get round the minefields of Soviet bureaucracy

OIL GUSHED out of the sump and steam billowed out from under the bonnet. It was three in the morning, we were 12 miles outside Moscow and we had just written off our car.

Russia—as we are often told—is not like the rest of the world. There is no AA or RAC to tow your car and for two Western females with 10 words of Russian between them it seemed like the end of the world.

A militiaman stroled over to us, reeking of vodka, but didn't seem inclined to help. There was no third party involved—we had hit a pothole and then a boulder on one of the notoriously bad Russian roads—so he could safely ignore us.

Luckily, though, he had just stopped a driver to see his documents. Russians tend to be more helpful if you are not dealing with them in an official capacity and this driver proved to be very kind.

He drove us back to our hotel and explained to the receptionist that we had to tow the car back that night or there would be little left of it or its contents by morning. We secured the hotel for a rope, drove back to the stranded car and finally managed to tow it back, the rope snapping every time we turned a corner.

Six in the morning we could go to bed, having thanked our good Samaritan with presents of American cigarettes, T-shirts and chewing gum.

Four hours later, when we had to get up and face the wreckage, the awful truth dawned on us. The car, whose sump, gearbox and steering rack were smashed, would not get us into Moscow, let alone out of the country, and we still had another five cities and two thousand miles of the Soviet Union to see.

We had to cope with the sort of problems that no foreigner on an Intourist tour would ever come across. Anyone who returns from Russia claiming that it is really very pleasant and much nicer than Western propaganda leads us to believe has obviously had no contact with any officialdom beyond his Intourist guide.

We had realised that we would have adventures from the start. Ten minutes into the Soviet Union, we were ambushed by bandits. Not your average gang of dacoits wielding weapons, but three young boys and a dog who blocked the

road, forcing us to stop, then clambered on to the bonnet and pounded on the windows demanding Western goodies.

We slipped a half-eaten bar of Toblerone out of the window, which they fell upon like a pack of hounds, and drove off as fast as we could. But we hadn't realised quite how difficult life would be there, particularly changing arrangements we had previously made with the Intourist office in London.

The main problem is the sheer obstructiveness you face. There is little incentive for officials to be helpful—it is not as if we could go to another travel agency down the road. This lack of competition means they are secure in the jobs, and since they receive no commission for the work they do, it is much more of a nuisance for them to help you out than just to say "Nyet, it is impossible."

We soon discovered that everything in Russia revolves around the GNP—not a measure of living standards but what one correspondent in Moscow has christened the "Greater Nuisance Principle." The point is that you have to make such a nuisance of yourself that it is easier for them to serve you and thus get rid of you than to cope with you any longer. He had used it to great effect in a Moscow taxi—motivated by refusing to take you where you want to go. He sat in the back and said he would not get out. After 10 minutes of silent war, the driver relented.

Unfortunately, enforcing the GNP is very wearing. We spent nearly a week sitting in Intourist offices in Moscow. We would bang our fists on their desks for an hour or two, with dire threats about lodging formal complaints with the head of Intourist Moscow, until they finally agreed to book us train tickets or arrange a hire car or change our itinerary. Then we would have to wait there for most of the rest of the day to ensure that they did it. I managed to read all 900 pages of "Middlemarch" in three such days.

Even then, the officials would

often lie to get rid of us. They would tell us they had booked a ticket and would give us the address of the office where we could pick it up. When we arrived there we would be told that no reservations had been made and that no seats were available. Back to square one...

We were even less popular with Intourist because we had committed the cardinal sin of travelling on our own. Russia is a collective place and does not cater for individuals. Hardly any foreign tourists travel outside an Intourist group and even the Russians are herded around, 20 or 30 people at a time, when they are on holiday.

Our problem probably was that our expectations were too high. One imagines that in the capital of any developed country it is possible to hire a car or have a decent meal or find a hotel room in the centre of town. And Russia masquerades as a modern, developed country. All the hotel foyers have long lists headed "Intourist offers..." and there are details of car tours, trips,

tickets for travel and theatre and so on. But when you try to get any of these, you find it is "impossible."

It is this feeling that you are being led up the garden path that is so frustrating. Restaurants advertising traditional national fare will give you menus full of the most enticing local specialities. When the waiter comes to take your order, you ask for a couple of dishes and are told "Nyet," so you try four or five more and get the same reply. Reminiscent of a Monty Python sketch, you are finally told that all they have is cucumber salad and "mistak."

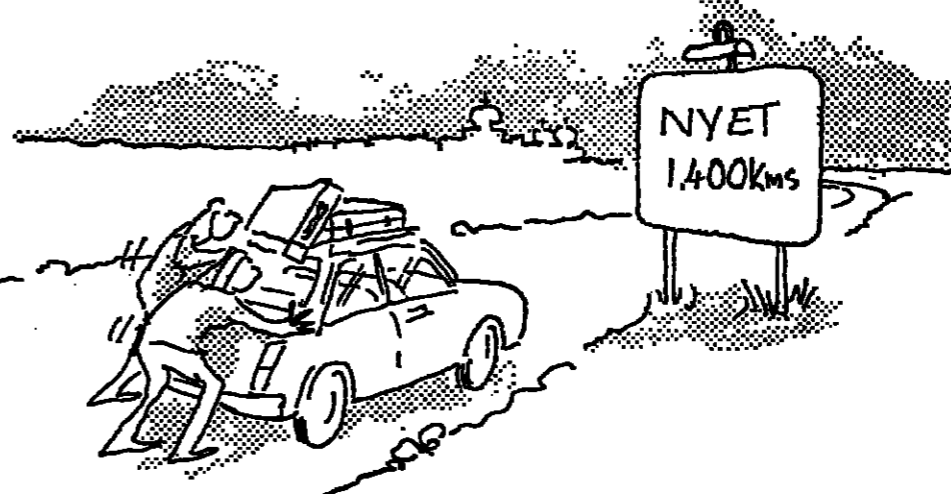
Our expectations fell rapidly. We were so relieved to be given a hire car after days of hawking that when it turned out to be a little tin box that wouldn't start unless it was pushed down a hill we hardly cared.

The Russians loved it, though. Women there rarely drive—so the sight of two Western girls driving was strange enough. But watching them struggling to push start Russian "Zhuchki" in the centre of Kiev because it has stalled at the traffic lights caused great mirth.

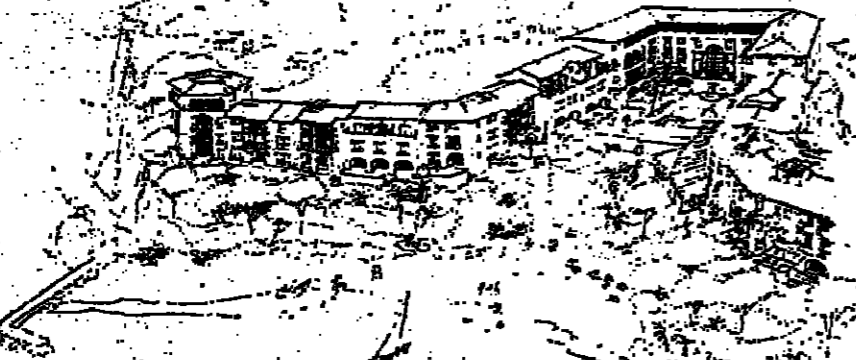
Our own car was put on a train to Helsinki by our insurance company and we managed to continue our journey through a combination of planes, hire cars, boats and trains. The Korean airline disaster came and went, with hardly a mention on Russian TV. One day a tourist girl I spoke to ten days after it happened didn't even know that there were Americans on board.

I left with a feeling of great disappointment. I had been quite prepared to believe that the Soviet Union would have many good points that Western propagandists ignore. If it does I didn't find them.

In Russia, power rather than wealth is the prevailing currency, so people use whatever power they have whenever they can. They take out the drudgery of their lives on other people— fellow Russians as well as foreigners—and one left with the impression not of a country where each works for the good of all, but where each tries to take advantage of the system and of other people. What happened to the Socialist utopia? I wondered.



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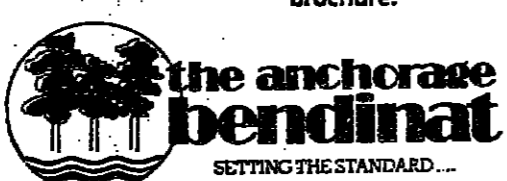
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And now, on the very edge of Hampstead's famous 800 acre heath, Barratt is creating twenty-one new homes.

The Grange

These are homes that meet standards of design, luxury and sheer style worthy of a uniquely attractive setting. Built on the site of a large Victorian mansion and its extensive grounds, every care has been taken to preserve the natural woodland beauty of the landscaped gardens which surround each of the houses of The Grange.

The exterior brick-work elegance that has been achieved by the architect is complemented by imaginative interiors that create a sense of space, light, harmony and ease, with the rooms leading naturally from

one to another. Each house has five bedrooms and three superbly equipped bathrooms. There is ample opportunity to make a separate area for staff, or for use as a 'Granny flat'.

The kitchen/breakfast room has been specially designed and equipped to take advantage of every modern facility. The spacious lounge finds its traditional focus around a large fireplace. The dining-room invites leisurely entertaining.

Additional features which are indicative of the extra care and thought that are a characteristic of The Grange homes include a cosier more intimate lounge area called the snug, an open gallery and a study or play room. Total security is assured through closed circuit TV and a touch of a button in the master bedroom can floodlight the grounds.

Indeed everything that could be contrived for comfort and well-being has been

thought of and accomplished for those discerning few whose home will be The Grange, Hampstead.

Prices for five bedroom houses start around £600,000.

In addition there are two detached houses available with two bedrooms and one bathroom from £180,000.

If you would like to visit The Grange, Templewood Ave., NW3 and the showhouse, fully furnished by Heals, which is open 7 days a week 11am-6pm. Or would like further details, please telephone 01-794 7678, or alternatively write to: Barratt Central London Ltd., 1 Wilton Road, London SW1V 1LL. More fine Central London homes

Choice, both in style and in price is something in which Barratt firmly believe. Here is some advance information on three new developments in Central London that

illustrates the wide range of homes on offer. Why not take advantage of the Barratt Early Bird reservation scheme to get the exact property you want? A £100 deposit will secure it. For details on this and on any of these new developments, call 01-630 5721.

"Wellington Court," Cobbold Road, W12. Studios, 1 and 2 bedroom flats, ideal for first time buyers. This pleasant area is well supplied with shops, parks and other amenities. Nearby, bus and Underground connections. Available soon, with prices from around £32,000.

"Sandringham Court," Dufours Place, W1. Studios and 1 bedroom flats. Perfect apartments for people who want to be near their work in Central London or who want a handy place to stay when up in town. The heart of the West End with its theatres and restaurants really is around the corner. Available soon, with prices from £45,000 up to £85,000.

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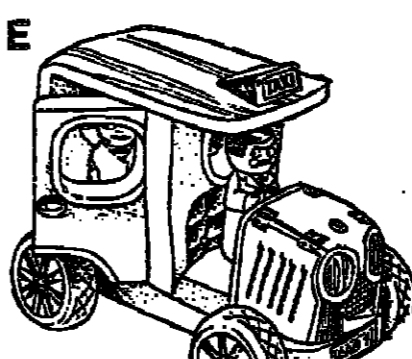
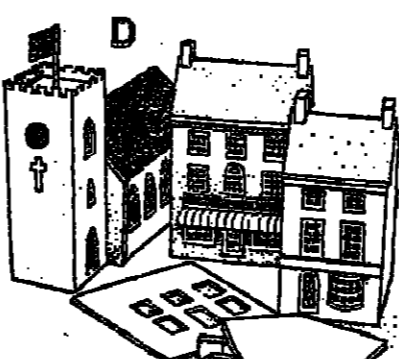
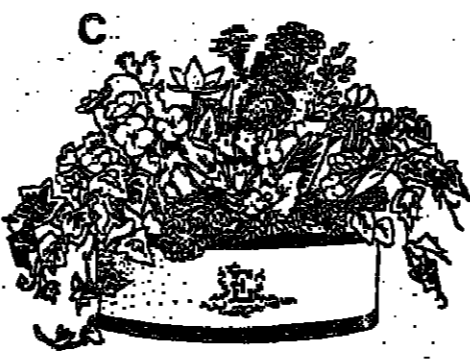
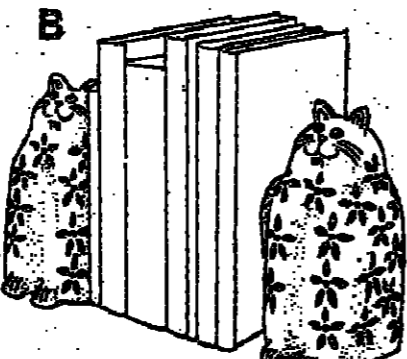
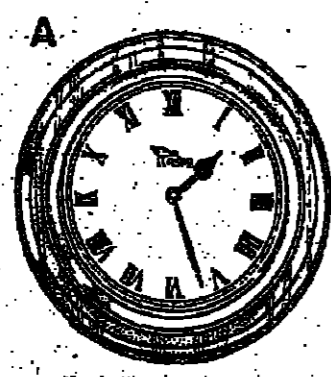
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Barratt Central London Ltd. 1 Wilton Road, London SW1V 1LL. Tel: 01-630 5721.



HOW TO SPEND IT

by Lucia van der Post



Drawings by Frank Wheeler

A. Solid mahogany wall clock with brass surround, 10 ins in diameter, £19.50 from the Royal Society for the Protection of Birds. B. Standing 8 1/2 ins tall and 5 ins wide, these two hand-painted, cast-iron figures from a small pottery in East Anglia. About £28.50 from The Ebury Collection. C. Oval jardiniere, hand stippled in five different colours on silver-plated, 15 1/2 ins x 12 1/2 ins x 5 1/2 ins, there is a choice of just one initial, £43.50 from Eximious. D. Plywood and card models of village houses. Put together with just scissors and glue. Church is £2.40, General Store is £1.85 and the Antique Shop is £1.85. From Save The Children. E. 1920s taxi complete with driver, and

two passengers. Handmade in wood, the car is dyed with Indian ink and finished in non-toxic polyurethane. So finely-made it is almost wasted on children. About £125, from The Ebury Collection. F. Pure cotton kimono in white and navy, £16.50 from Liberty. G. Avocet binoculars, there are four different models ranging in price from £25 to £37.50. Royal Society for the Protection of Birds. H. White glazed ceramic clock, just 7 1/2 ins high. Quartz movement, £24.99 from Save The Children. I. Chic black and white lacquer trays and bowls, from £2.50 to £22.50 from Liberty.

More Presents by Post

If the idea of Christmas shopping seems daunting, if you can't face the crowds, the heavy bags, the parking problems, then this week's page continues the theme of how to shop without leaving home.

HALCYON DAYS, 14 Brook Street, London W1. Price £1. The catalogue for those who believe that all the best things come wrapped in small parcels. The shop itself is tiny and almost everything it sells could be carried away in a pocket. Apart from the enamelware, new and antique, that Susan Benjamin has quite rightly become famous for, there are also tortoiseshell, plaque pieces, a collection of antique green and Japanese Ware.

New to this year's catalogue are the enamelled time-pieces—choose from a hand-coloured miniature quartz bedside clock at £135 or the series of 24 carat gold-plated quartz watches with enamel back shown in the photograph here (from £87.50 to £95, depending upon the design).

OXFAM, Mardock Road, Bicester, Oxon. Just send a stamp.

Most of the products you will see here have been made by poor sections of the population in developing countries. Some are made in training workshops for the unemployed and some in workshops set up specially for the physically or mentally disabled.

More than 250 different products are featured and they come from countries as far apart as China, Kenya, the Philippines and Bangladesh. You could order some personal stationery through the catalogue, buy a hand-carved walking stick for £4.75, choose one of the collection of Mamboh rugs (£39.50 for the 5 ft by 4 ft size) or send for some wicker planters from Thailand.

SAVE THE CHILDREN, Mary Datchelor House, 17 Grove Lane, Camberwell, London, SE5. Free on demand.

Glossy and in full colour, this catalogue is packed with things for men, women and children. Pocket telescopes at £21.25, wine chiller at £23.95, a splendid Ferrari rain kite at £10.50 and a charming pair of porcelain stoneware cats from Rye pottery at £24.50. Are just some of the presents to choose from. Then there are boxes of fine soap, animal coat hangers to amuse the children and a bright yellow pin board, supported by a clown, for persuading the family to leave messages. Very nicely put together, this catalogue isn't so big that it is daunting nor too small to be really useful.

ROYAL ACADEMY OF ARTS, "Gift Catalogue," Piccadilly, London, W1. Just send a stamped-addressed envelope.

A small catalogue, featuring a limited collection of goods, ranging from mugs at £2.25 each to silver-gilt medallions at £130 each. There are silk scarves at £14.95 and tapestry kits designed in conjunction with Gloriosa. For artists, either experienced or would-be, there are boxes of paints—oil, water colours or acrylic paints—and a box of brushes chosen by Professor Carol Weight to complement the oil colour box.



Red cat oven mitt from Oxfam, £2.25. There is a matching tea cosy that costs £2.95.

EXIMIOUS, 10 West Halkin Street, London S.W.1. Price £1, refundable on first order.

The catalogue for excellence for those who like their own initials on things as various as Christmas crackers, cache-pots (like the large one sketched above), wallets, cheque book covers, socks, or hairbrushes. Much of the merchandise in the catalogue will be familiar to regular readers of the page.

Newest additions include a silver-plated tape measure (a single initial can be engraved on the domed top), botany wool socks in basic colours on the side of which initials can be included. Then there are children's sweaters which can incorporate up to eight letters in a

bold contrasting colour on the front at £21 each. A small but special present is the box of dusting powder in the fine dark blue and gold packaging at £6 a time.

ROYAL SOCIETY FOR THE PROTECTION OF BIRDS, Station Road, Sandy, Bedfordshire. Free on demand.

Needless to say, much of the merchandise sports a bird in one form or another and you would need to be inordinately fond of birds to be prepared to give house-room to some of these objects. However, for those who care, there is a host of bird-related presents to choose from—from nest-boxes to feeders of every conceivable sort.

There are binoculars (a splendid present these at about £25 a pair), and puzzles which should please the children and a refreshingly plain mahogany wall clock at £19.50. And for those who really are so bothered with birds, there are various glasses engraved with drawings of different birds, as well as mats, trays, lampshades and calendars—all awash with almost every kind of bird you care to think of.

THE BRITISH MUSEUM SHOP, British Museum Publications, 45 Bloomsbury Street, London W.C.1. Free on demand.

Another small catalogue, but it could produce just the off-beat present you're looking for. Included are exact replicas of some of the British Museum treasures—a blue Egyptian cat, the original of which dates from the first century AD, is £8.95, while a blue Egyptian hippopotamus is £17.95. Probably the most striking replica is the bronze Egyptian cat, dating from about 600 BC. Originally a votive figure dedicated by a wealthy worshipper of Bastet the cat goddess, she is everything a naughty, god-like cat should be. At 33.5 cm high, she costs £250.

THE EBURY COLLECTION, 36 Ebury Street, London S.W.1. Price 26p.

A new catalogue to me. The Ebury Collection was originally designed to sell goods with a quintessentially British flavour to the Americans. It is now branching out into selling the same collection to the British.

For the moment the catalogue has prices in dollars but anybody wanting to know the British price will be happy to know that these will be much lower—duty and carriage push up the price to those living in the States.

At the moment the catalogue is used by many Americans living in this country to send presents home to the States. Now those of us on this side of the Atlantic who are looking for an edited selection of truly British goods of quality, should find something in The Ebury Collection to please. There are handsome cartridge bags, deer-stalker hats, silk scarves, travelling bars to warm the hearts of shooting types, there is commemorative glass of all sorts, chess sets with the famous Isle of Lewis pieces and a splendid range of toys, some almost too good to be wasted on children.



Pendant quartz watch with enamel back and 33 ins vermeil (16 solid gold) chains. Watches are £37.50, chains £45. From Halcyon Days.

LIBERTY RETAIL, Regent Street, London W.1. Price £1.

Another glossy full-colour catalogue crammed with the things that Liberty does so well. From small but spot-on fashion accessories like Liberty print crepe de chine bow ties at £9.50 each or black spotted tights at £1.95 each or Monty Don jewellery to more luxurious purchases like the pure cashmere shawls at £190 each, the Liberty touch is there.

If you're looking for presents for HIM there's quite a lot to choose from—shirts in Tana Lawn, soft sweaters, a

dashing selection of neckwear (including some very covetable bow ties) or, if you want to be original, some new rock crystal deodorant formed from natural mineral salts and all tied up in a chic black towel-bag. There is a small selection of presents from the East—including the navy and white cotton kimono and sharp black and white lacquer trays featured in the sketch.

ASPREY, 165-169 New Bond Street, London W.1. £3 by post or free in the shop.

Mostly just for gazing at but for those who have thousands to spend on their nearest and dearest, Asprey will show them how. There is jewellery running into thousands of pounds, silver and gold enough to dazzle any Arabian sheikh, and antique objects for those whose taste runs to such things.

For those who find the sight of their video cassettes a trifle vulgar, Asprey will provide hand-made gold tooled leather and cloth cases to shield them from the naked eye—in a variety of colours they are £39.50 each. Those who cherish the Asprey name but can't afford the bigger purchases will find a host of smaller items all sold in the distinctive purple and gold boxes and there's a gift Peestlock padlock at £7.50, a tiny gift travelling pepper mill at £11.50, or slim Maruman lighters at £13.95. And for those who like their crackers hand made and special, Asprey will fill a cracker with any of its smaller items, provided they measure less than 1 1/2 ins by 3 ins.

Made to treasure

THOUGH everybody pays lip service to the vitality and originality of craft workshops up and down the country, nobody seems to have found a permanent solution to the problem of bringing together those who make and those who wish to buy. A few retail shops do try but the mark-ups they have to put on in order to cover their costs frequently mean that the prices they charge put them beyond the reach of those who appreciate them. However, for a few days each October Lady Philippa Powell bridges the gap by organising a Crafts Fair in Chelsea's Old Town Hall in the Kings Road.

Now in its fourth year, the Fair has become something of a Mecca for craftspeople who want a market-place and for customers who relish the chance of seeing so much original work under the one roof. Anybody who visits the Fair can be sure of seeing a large

range of individual, hand-made pieces from small workshops and one-man bands all over the country. They also know that they will be buying direct from the maker so that no third party will be putting on large mark-ups on along the way.

Last year 160 craftsmen sold over £170,000 worth of work on the spot and since this year's Fair will be bigger than ever it is an opportunity that anybody interested in the crafts shouldn't miss. If you're looking for an early Christmas present, or an original piece to brighten your house, or if you're seeking the right person to commission to make some-

thing special, then make a point of visiting the Fair.

You will be able to choose from ceramics, hand-blown glass, toys, jewellery and furniture, as well as a colourful collection of embroidery, lace, tape and clothes. You can pay 25 pence for a small pottery collar or as much as £20,000 for a large sculpture by Polly Hope.

The Fair is open from Wednesday 19 to Tuesday 25 from 11 am to 7 pm (except for Wednesday and Friday when it closes at 5 pm). The entrance fee is £1.50 except for children and OAPs, who will be charged 70p.

is semi-evergreen *H. calycinum* is fully evergreen and true ground cover since it hugs the soil but unfortunately it smothers friends and foe alike as it advances relentlessly and like the greater periwinkle, *Vinca major*, it is a plant that must be kept firmly under control.

Among herbaceous perennials anemones, with its broad, shining green leaves, makes good company for hosiage but it spreads by suckers and must be chopped back with a spade occasionally. Hostias are much better in this respect and the bigger their leaves the better. Day lilies (*hemerocallis*) are also useful and so are all the hardy geraniums from genuine ground cover plants such as *Geranium sanguineum* and *G. endivium* to taller kinds such as *G. magnificum*, which usually gets called *G. ibericum* and has big violet purple flowers, and Johnson's Blue which is looser in habit and clearer blue in colour.

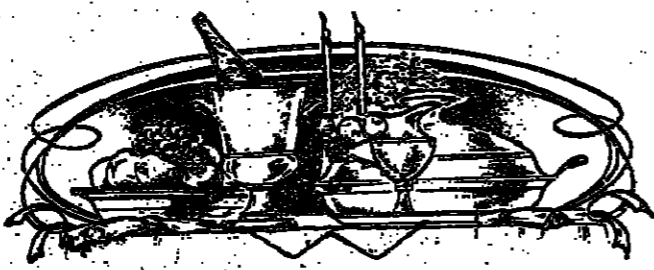
All the hellebores cover the ground well, none better than *Helleborus foetidus* with narrow leaves that never look tatty. I also use red valerian in places that are sufficiently damp to maintain their big leaves in summer but if they get dry they look awful. Somewhat surprisingly *Sedum Autumn Joy* also makes excellent weed smother and has been looking very beautiful these past few weeks near a hydrangea with flowers of a similar smoky pink.

Julie's own cookbook

TO REGULAR readers of the *How To Spend It* page the name of Julie Hamilton needs no introduction. She it is who has been giving us her own inimitable collection of recipes over the past five years—recipes that reflect her love of entertaining, her affinity with all things Hungarian, her spirit of adventure, her innovative flair.

Those readers who have been collecting her recipes over the years and, more importantly, those readers who have failed to collect them and who ring us up for urgent consultation on how to proceed for that night's dinner party, might like to know that next week Julie Hamilton's first cookery book will be published.

She has called it simply *Entertaining with Pleasure* and that perfectly sums up the Julie Hamilton approach to food. Food is not, for her, a boring daily necessity—it is a chance to be creative, to experiment with flavours, to make her friends and family feel loved and welcome. Gathered together in this book are some of her most successful entertaining ideas.



"Entertaining with Pleasure" is a book in which you will find relaxed and easy food of the sort you can share with friends you know well.

Then there are chapters for summer outdoor parties, for children's parties, and for Christmas and New Year entertaining. Many of the recipes were originally developed for her regular features on this page but in addition there are several new ones that she created specially for the book.

To choose one recipe from a whole book seems somehow invidious but of all Julie's recipes that I have tried over the years this is my particular favourite and one that never ceases to go down well with friends and family. If you have any left over, using up the last of this year's delicious herb.

COURGETTE MOUSSE
6 good-sized courgettes; 8 sprigs fresh basil; 3 large lemons; salt; freshly ground black pepper; 1 teaspoon Parmesan cheese; 2 tablespoons white wine vinegar and/or lemon juice; 24 tablespoons best green olive oil; 2 eggs; 4 oz gelatine, dissolved in 2 tablespoons

warm water; 4 or 5 tablespoons double cream. Boil the courgettes whole for approximately eight minutes. Drain off the water and, while still warm, place the courgettes, herbs, garlic, salt, freshly ground black pepper and Parmesan in an electric food processor or blender.

Add the white wine vinegar and/or lemon juice; when a thick puree has been produced, slowly add the olive oil as you would for mayonnaise. Turn out into a mixing bowl. Separate the eggs, lightly whip the yolks, add the dissolved gelatine and stir into the courgette puree. Lightly whip the cream in a large bowl and stir the courgette puree into the cream. Lastly, whip the egg whites in a large bowl until stiff and fold the courgette mixture into them by slowly pouring it over the stiffened whites, folding in with a metal spoon. Turn into a soufflé dish or mould (1 1/2 litre/2 pint one) and chill for at least four hours. Decorate with fresh basil leaves just before serving, and offer this brown toast.

*Entertaining with Pleasure by Julie Hamilton will be published on October 30 by Century Publishing, £5.55.

ORIGINALLY the term ground cover was coined to describe those plants that spread close to the soil, covering it so densely that, in theory at least, it is difficult for any other plants, including weeds, to grow with them. But gradually ground cover has been more broadly interpreted to include all plants that might be used to smother weeds even if they are several feet high.

This is confusing and I think it would be better to call this second type of ground cover boskage, an old word meaning close masses of trees and shrubs. It would make it easier to distinguish between the quite different ways in which the two types of cover may assist the gardener and avoid mistakes in deciding which kind of cover to use.

Close carpeting plants can be delightful in the right place but their value for excluding weeds can be exaggerated. Certainly once the complete carpet has been formed it will make it more difficult for weed seeds to find a germinating place but it has little effect on creeping weeds such as buttercups, bindweeds, ground elder and oxalis. All these can insinuate themselves among the garden creepers so intimately that it becomes impossible to destroy one without inflicting almost equal damage on the other.

For this reason real ground cover composed of creeping plants should only be used when the soil has been thoroughly cleared of weeds and weed seeds. Thereafter, close watch should be kept for any weeds

Ground cover and boskage

that invade it so that they can be removed or killed before they spread far. Even with these precautions it may well be necessary to lift and replant the ground cover every few years. It cannot be regarded as a truly permanent method of excluding weeds.

Boskage works in a different way. At ground level there can be quite a lot of space between the plants and this makes it possible to weed between them, to use hoes or small forks, even to use herbicides if they are carefully chosen and skilfully applied. It is the exclusion of light by the dense canopy of leaves that deters weeds without actually getting entangled with them.

In my own garden I use both ground cover and boskage, often side by side for contrast of effect, but I have no doubt about which is easier to keep weed free. Some of the smaller ground cover plants are just as likely to be smothered by weeds as to smother them but the boskage plants suffer no such hazard. In winter and spring there is plenty of soil visible and opportunity can be taken of this for a thorough clean up, though no dizzing or deep forking which would do too much damage to roots. Hoeing, light forking and hand weeding are all acceptable and so is light spraying of weeds with one or other of the few herbicides which really do not



GARDENING

ARTHUR MELLIER

leave any harmful residues in the soil.

I do a great deal of summer weeding with a trowel or onion hoe, mostly on my knees crawling or reaching between the plants. It sounds laborious but as there are relatively few weeds beneath the close canopy of growth it really does not take very long. If I encounter couch grass, bindweed or ground elder I do not attempt to pull it out but note where it is and come back later with a small hand sprayer filled with the appropriate herbicide, 2,4-D for bindweed, the new Weed Out for couch grass and glyphosphate (Tumbleweed or Roundup) for ground elder.

Creeping weeds do not penetrate the root balls of compact

COLLECTING

SPORT

Wonders of our ancient science

BY JANET MARSH

THIS HANDSOME if rather austere young priest, who has just surfaced among the drifting mass of art and antiquity that passes through the London salerooms, and will be sold by Christie's on October 25 may well add an important new chapter to the history of automata.

The style of the wooden body and the steel clockwork mechanism which gave him life suggest that he was made in the 16th century by German-trained craftsmen in Spain. Although there is a mass of legend about automata made during this period for Charles V, King of Spain, and Holy Roman Emperor (they were said to include a fly which soared through the air and returned to its master's hand), very little tangible evidence of free-standing automata as early as this has survived.

Stories of marvellous animated statues of oracles and deities go back to antiquity, but the oldest surviving mechanical figures are invariably associated with clocks. Those rather gross giants who hammer the bell on the clock tower in St. Mark's Square in Venice, are the most famous of the clock automata which became popular with richer and more ambitious civic authorities in Western Europe from the 13th century.

The Arabs seem to have started a fashion for entertaining their guests at banquets with table decorations which, at the touch of a lever, would assume a life of their own. By the 17th century European similitude was being achieved by ingenious clockmakers and silversmiths of Augsburg and Nuremberg. A silver galleon might sail down the centre of the table, bearing miniature castles of wicker, or Diana the huntress might trundle down the table on a wheeled stage, whose removable head would provide a loving cup.

We may reasonably guess that the little priest, in Christies, much earlier than these, was intended for the banquet table of a devout catholic king or nobleman of Spain. His wooden body, working parts were originally have been concealed beneath a splendid casock. When in full working order, with his clockwork wound, he would move smoothly along on two wheels, directed by a third, smaller wheel behind which probably shifted so as to give him a zigzag movement from side to side of the table. Two little articulated feet would have moved under the front of the casock to give a life-like impression of walking.

As he progressed, his head moved from side to side, his eyes, eerily lifelike in their sockets, glanced to right and left, and his lips moved slightly



as if in silent prayer. His left hand was repeatedly pressed to his chest in a gesture of obeisance, while his right hand was raised and lowered as if in benediction. Perhaps the noble host, astounded his guests by entrusting this miniature cleric with pronouncing grace after meat.

It is merely speculation, and at this distance of time the idea sounds somewhat irreverent. Yet the marvel of the object, the sense that the skills which could devise it must be God-given, most likely were stronger than fears of irreverence. Certainly we know that in some seventeenth and eighteenth century monasteries and convents clerically-garbed automata were set to guard the gates, and silently admitted guests before as silently retreating into the pictureless grottoes in which they were installed.

Until the little priest finds his way into a museum, it is restored to vitality (all the works are still there, though needing adjustment), we can only guess at his origins and purpose.

The figure anticipates the greatest days of automata by a whole century and a half. Still dependent on clockwork mechanisms and elaborate arrangements of levers and wires, the achievements of the eighteenth century makers of automata are even today astounding.

Automata were only a very small part of the creative life of the inventor Jacques Vaucanson, whose other accomplishments included the perfection of rubber-hose-pipe and (before Jacquard) a loom that could weave patterned material. Yet it was the three animated figures that he showed to the Royal Academy of Sciences in 1738 which ensured his popular and lasting fame. The audiences

that flocked to see them wherever they were shown during the next thirty years or more were astounded by the figures who could play twenty airs on any flute put into his hand, or the ambidextrous shepherd who played a drum and whistle at the same time. The biggest thrill though was a small, gilded duck who obligingly demonstrated all the processes of digestion and excretion.

The eventual fate of Vaucanson's automata remains a mystery. They were in Germany, where Goethe saw and described them in the 1780s. In the 1790s Napoleon talked of bringing them back to France, but then had his attention distracted. After that they vanished. Perhaps one day, like the little Spanish priest, they will arrive on Christie's door-step.

Happily the masterworks of the other great automata-makers of the eighteenth century, the brothers Jaquet-Droz, have survived, and may be seen, restored to brilliant order, in the museum of Neuchâtel, the makers' home town. A tiny, solemn bare-foot boy sits at a table and draws a variety of pencil sketches, or writes, amiably. "Soyez les bienvenus à Neuchâtel." His elder sister performs on a miniature piano-forte. The bouquet on her courage rises and falls as she breathes; and between each faultlessly executed piece she bows graciously to the public.

With their slight mechanical jerkiness and momentary hesitations, these lively double-centenarians seem infinitely more marvellous than all the perfect electronic robots of Disneyland's ghoulish Hall of Presidents. And of course, the little Spanish priest is (pardon his celibacy) the daddy of them all.

Is this the death of the amateur? Peter Robbins reports

When Rugby becomes big business

AS RUGBY followers eagerly await the arrival of the All Blacks the game's administrators are still faced with the possible advent of a professional circuit run by David Lord, an Australian entrepreneur.

His ideas threaten the very structure of Rugby Union as we have always known it. The other major problem facing the RFU is the proposed tour to South Africa by the England team in summer.

Mr Lord's plan is the most serious attack ever on the amateur citadel of Rugby although the Adonis scandal last year rocked the hierarchy considerably. That particular spectre seems to have been edged offstage, thanks to even more serious allegations.

Many retired internationals have written of their resentment of this gap believing that their own perks do not compare with those of the committee members. That seems to me to be narrow and to underestimate the colossal amount of work and time put in by a body of men who do not deserve constant vilification. What players should also realise is that they are easily replaceable.

Many regard the present laws on amateurism as utterly anachronistic. This is scarcely surprising given the rampant way in which Haden, the All Black second-row forward, persistently challenges the laws by regularly writing on the game in a newspaper.

These very laws have caused the loss of many fine coaches and administrators to the game. I know that the RFU debated long and hard as to the professionalisation of those who write books. I believe there will be some change in this area although there are still difficulties. It really does make a nonsense of things that a part-time writer is professionalised whereas the full-time journalist is still classified as an amateur.

Finally the players see sportsmen in other areas, notably cricket, tennis and athletics, earning big money because of their physical skill and hard work. It is a matter of incredulity to the other major sports people that rugby players receive no remuneration.

Clearly there is nothing wrong in any sportsman capitalising on his natural talents but there is nowhere at present where the Union player can do that.

The stock reply by officials is that no one has to play Rugby Union and that there is always the League available. That is to ignore the basic dilemma of the players. I thought the letter sent out by the RFU to the leading English players asking them to attest their loyalty to the Union code was rather clumsy and an infringement of personal liberty.

And I felt it was high handed of the RFU to issue veiled threats of non-selection for England to those players who might opt out of county rugby. It needs to be said and said firmly that the clubs are the spine of English rugby and players must have freedom of choice.

Can Lord's professional circuit work? I doubt it, purely on financial terms, let alone on others. The numbers of players who apparently want to join the circuit is diminishing. Where will the circuit train, play and recruit from? How would it be sustained, supposing it did begin?

With the Australians in France shortly and the All Blacks due here, the earliest announcement of sponsors and players, hitherto either a well guarded secret, will be mid-December. Would it receive public support?

Certainly there would be an amount of rugby curiosity about it, but the essence of international rugby is not just the contest, but the occasion itself—nation meeting nation socially. What would be the result of such a contrived parade of stars?

Of course, the international championship would be severely diluted but for all that would still command vast public support. Clubs and counties would be less affected and in fact Rugby Union, given the determination of its administrators, would continue ruffled but calm.

But there should be some relaxation of the amateur laws even to the point of allowing players to sponsor products in the same way that big companies sponsor the game.

Having been jolted as they undoubtedly have been the players might care to reconsider some sort of world championship on a four-yearly basis. A promotional consortium put forward such a tournament last year and it had enormous financial attractions for all the unions concerned. It was rejected only because of lack of time to fit it in.

That problem could surely be overcome and would be a quick, firm answer to Lord's proposals. It would also give the game a much-needed shot in the arm at the top level.

It could also reassure the many thousands of lower-grade



DAVID LORD
A spectre over Rugby

players that head office is not the aloof and slumbering giant it often appears to be. In short, to defend itself, rugby has to move much more quickly into the 20th century.

But what of the proposed South African tour? In principle the Rugby Union, I am sure, will want to go ahead with the tour as the players. Yet as Albert Ferrasse, the iron President of French rugby, acceded to Mitterrand this summer, I suspect the RFU (this time) will follow our Government's thinking on this issue.

How long South Africa will have to wait before being readmitted to the world sport arena is debatable. But with so many of their sportsmen not only carrying on their activities here, but playing in major sports throughout the world, it may not be all that long.

Such a readmission would end a lot of ambivalence and hypocrisy.

Cars, cars and more cars at Motorfair

MOTORFAIR comes to Earls Court again next Thursday for an 11-day run. This time, the emphasis will be on cars and everything to do with them and not much else. Past Motorfairs—this is the third one to be held—have been family entertainment extravaganzas with a strong motoring flavour. For 1983, the recipe is cars, cars and still more cars.

This will go down well with the motoring enthusiasts—especially those living in the South-East—who used to go to the old Motor Show at Earls Court but have not been inclined to drive all the way to Birmingham for the combined car, truck and components show.

Motorfair, organised by Phil Beach Events in co-operation with the Society of Motor Manufacturers and Traders and the

Motor Agents Association, alternates with the Birmingham event.

This year's Motorfair will be the biggest yet, with over 180 principal stands on which the products of more than 50 motor manufacturers can be seen. The growing status of Motorfair has led Jaguar to choose it as the launch pad for their new 1984 models. Citroën have three new cars up their sleeve. Porsche will give Britons the first chance to see the new Cabriolet. Austin's Maestro automatic makes its debut. So does an £85,000 Aston Martin Tickford: mystery car and a Nissan advanced research vehicle. For many British buyers, it will be the first chance to get a good look at the Mercedes 190. The new VW Golf and the downsized 1984 Jeeps

are due there, too. Earls Court cannot compare with the National Exhibition Centre, Birmingham, for square feet—or should it be acres?—of floor space. But there won't be so many people at Motorfair. The organisers prefer not to be too specific about anticipated numbers. Last time, two years ago, Motorfair attracted 229,336 paid visitors. IRA bomb scares notwithstanding, this time, the attendance should be bigger. "But we don't want too many," Motorfair chairman Tommy Sopwith told me.

"Car sales is what Motorfair

is largely about. The stands may bear manufacturers' names, but they are manned by dealers' representatives who will sell direct to show-goers."

Tommy Sopwith gets 300,000 visitors this time, he will be a happy man. So, more importantly, will be the dealers, without whose active support Motorfair could not take place. The way to a dealer's heart is through his order book. If Motorfair is pleasantly busy, but not packed out, business will be good and everyone will be pleased, general public included.

As an attention getter, there will be a cavalcade of 200 vehicles of every kind from Battersea Park to Earls Court tomorrow. Admission to Motorfair is £2.80 (adults), £1.80 (children) on all but the first

day, when it is 15p. The best way to get there is by Underground. Paradoxically, parking space at London's premier car display is very limited.

Cars for the tall

WHICH four-door saloons of 1.6 to 2-litre engine capacity can a 6 ft 3 in owner be comfortable in? The question comes from a Gravesend, Kent, reader, who must replace his eight-year-old Renault 12, which clearly must have accommodated his long legs satisfactorily. He has sat in a Vauxhall Cavalier ("Impossible"), and a Saab 900 and Ford Sierra ("bearable") and has a price bracket of £6,000 to £8,000 in mind.

I am tall but can not quite match his 35 inch inside leg measurement. I find my Peugeot 305 has ample room, even if I do occasionally clout my head on the door frame if I enter or leave carelessly. The Datsun Prairie I am now driving would let even a circus freak sit upright, but I doubt that it is the kind of car my Gravesend reader has in mind.

My difficulty in recommending a particular car is that I spend my whole life leaping from one to another. I am not sure that a week is long enough to discover if a car is really suitable to very tall people. Obvious snags reveal themselves at once: others show only after several thousand miles.

Can any readers help? I will publish comments in a few weeks time.

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ANNOUNCED

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Nov 25	1.23	1.23	1.23
Nov 25	0.85	0.85	0.85
Nov 25	0.75	0.75	0.75
Nov 30	1.23	1.23	1.23
Nov 25	1.23	1.23	1.23
Nov 25	0.75	0.75	0.75

The initial plan, once Westmeyer has been acquired, will be to reduce its short term borrowings, and to raise rental income by substituting some low yielding investment properties for those offering higher yields.

Donald Allen, Mr David Briggs, and Mr John Wilson. The position of present directors will be considered "in the context of their existing arrangements

Bacon share

EssexFood expects to import £300m worth of Danish products including its bacon, ham and other provisions into the UK next year, it accounts for 36 per cent of all UK bacon sales.

Two thirds of the 200,000 tonnes of bacon which came into the UK is in the form of whole sides but an increase in demand for lean, cut and pre-prepared bacon which are outside the agency agreement, prompted EssexFood to cancel it.

& O stake

Rs. allotted—expiry date on December 20 after a six-month examination. It is possible but again, by no means decided, that the committee will ask for a three-month extension of the inquiry.

Arrow rights to finance Comercio deal

Arrow Chemicals has conditionally agreed to pay \$559,000 for Comercio, which makes maintenance and cleaning chemicals for the motor and transport industries. Given shareholders' approval—at an extraordinary meeting at the end of the month, Arrow will finance the deal with a one-for-four rights issue at 52¢ per share raising \$750,000.

Arrow intend to cut borrowings by £55,000 from the balance of the rights issue proceeds and to meet the £115,000 bill for expenses.

Comerco is also the exclusive agents in Britain for the Gerd range of hot and cold water high pressure cleaning machines, sold under the name of Danclean. Comerco's turnover in the year to end May last was £2.65m from which pre-tax profits amounted to £132,000.

Arrow is looking for considerable rationalisation benefits by

improve profitability and says that a recent reorganisation of Comercio's sales and distribution facilities will lift turnover.

It also looks for higher profits from its existing operations in 1988 and expects to pay a final dividend of 1.1p per share on the enlarged share capital.

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NEW YORK

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Pan Am plans jets swap

By Paul Taylor in New York

PAN AMERICAN World Airways, the U.S. airline, is negotiating to swap 15 McDonnell Douglas DC-10s for eight Airbus A300s Boeing 747 Jumbo Jets. The exchange would be the largest in the industry's history.

The deal, if agreed, would form part of Pan Am's plan to re-equip its fleet and concentrate on the larger Boeing 747 for its long-haul and medium to long international routes.

Pan Am already has 43 Boeing 747s in service, together with 18 DC-10s and 12 Lockheed TriStar jets.

Although final details of the planned swap have yet to be worked out, an announcement from the two airlines could come as early as next week.

New Boeing 747s sell for \$85m but the market for wide-bodied jets remains weak and some industry specialists believe the secondhand value of a 747 could be as low as \$20m.

As part of Pan Am's fleet realignment, it is believed that the airline might also lease the one remaining DC-10 to another carrier.

Profits setback at W. R. Grace

By Our Financial Staff

THIRD-QUARTER net income at W. R. Grace, the U.S. manufacturer of specialty and agricultural chemicals, fell by 37 per cent from \$44.4m or 92 cents a share to \$28.1m or 58 cents, mainly because of lower results from natural resources activities.

This took nine-month earnings to \$101.7m or \$2.09 a share against \$265.7m or \$5.48. However, the 1982 figure included a \$65.1m gain from the sale of the Chemed specialty chemicals subsidiary. Nine-month sales slipped from \$4.54bn to \$4.47bn, of which \$1.51bn (\$1.44bn) came in the third quarter.

Saab earnings boosted by sharp rise in car sales

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SAAB-SCANIA, the Swedish motor and aerospace group, boosted profits by 36 per cent in the first eight months of the year, helped by a sharp rise in car sales.

Group turnover rose by only 9 per cent, to SKr 12.7bn (\$1.63bn) from SKr 11.6bn in the corresponding period last year, chiefly because of the continuing weakness of the Scania truck and bus division.

Group profits (before extraordinary items, allocations and tax) jumped to SKr 1.07bn from SKr 790m in the eight months of 1982.

In an interim report to shareholders, Saab-Scania said that profits of its car division had risen substantially, thanks to

the higher volume of sales and a shift in demand to higher value models, improved productivity and favourable exchange rates—in particular the strength of the U.S. dollar.

Car sales rose to 80,800 from 58,400 a year earlier and turnover jumped by 39 per cent to SKr 4.6bn from SKr 3.5bn. Car sales in the U.S., Saab's biggest export market, rose by 40 per cent to 16,350 from 11,675 a year earlier.

Production for the whole year is expected to total 94-95,000 cars, compared with 87,000 in 1982 and only 65,800 in 1980. Output levels have been raised several times during the past 12 months and production is being increased in the autumn to an

annual rate of more than 100,000 cars.

Scania's truck operations have been hit hard by the virtual disappearance of its biggest market, Iraq, and sales in the eight months dropped by 11 per cent to SKr 4.4bn from SKr 5bn.

Truck and bus deliveries for the whole year are likely to show a fall of around 3,500 from the 1982 level of some 22,500. New orders have increased by about 10 per cent but Scania is facing severe price competition in its most important markets.

It is pressing ahead with plans to begin the assembly and marketing of buses for the first time in the U.S. next year.

Supplier's move hits Victor

By Louise Kehoe in San Francisco

FINANCIAL PROBLEMS have surfaced at another major U.S. personal computer manufacturer following the Chapter II filing by Osborne Computer, Victor Technology, whose computers are sold under the Sirius brand name in Europe, was forced to suspend trading of its stock on Thursday following an announcement by a major parts supplier that it is owed \$12m.

Tandon Corporation, which makes disk-drives, said it had not been paid for products delivered to Victor during May-August. It said it was considering a plan to continue supplying Victor on a cash-only basis.

In August, Victor blamed Tandon for losses, stating that Tandon had failed to deliver essential parts for its personal computer products.

Tandon's announcement was followed late on Thursday by a similar statement from Xebec, California maker of disk-drive controllers. Xebec said it was owed \$2.1m by Victor. Both Tandon and Xebec said they were unable to determine the possibility of collecting on their accounts receivable.

Victor said it had decided to suspend trading of its stock because of "panic trading" triggered by the Tandon announcement. The stock closed at \$2.50 on Thursday morning. Victor went public in March at an initial offering price of \$17.50.

Yesterday, Victor was trying to put together a plan to raise operating capital through its 43 per cent shareholder, Kiddy, the U.S. industrial products group, and through Security Pacific of Los Angeles.

Victor posted a net loss of \$11.1m for the second quarter and said it expected to return to profits in the fourth quarter.

Depressed first-half for Japanese store groups

BY YOKO SHIBATA IN TOKYO

JAPAN'S three leading department store groups, Mitsuokoshi, Takashimaya and Daimaru, have all reported poor business performances in their first six months to August, showing the effects of the plunge in personal spending.

Mitsuokoshi's sales in the half-year fell by 10 per cent over the same period in the previous year. Its inventories, due to a deliberate selling off policy, declined by 6.3 per cent to ¥60.4bn (\$359m).

However, losses accrued on clearing excess inventories pulled down profit margins.

Mitsuokoshi, Japan's largest department store in terms of sales, said that since the start of the second half sales of its 14 shops had risen. This, it hopes, will improve earnings and may see the company back into the black in the latter half. However, analysts forecast that the company will stay in red in the current year.

Using the money from the sale of its Kobe store, the company is forecasting a term-end dividend of ¥6 against ¥10 previously. It has passed its interim dividend.

For the full year, ending February 1984, Mitsuokoshi's sales are expected to fall by 3 per cent and its losses to be around ¥9bn.

Takashimaya's half-year pre-tax profits fell by 2.3 per cent to ¥5.35bn and its net profits of ¥1.72bn were down by 16.5 per cent. Sales at ¥229bn were up by 3.1 per cent. Net profits per share were ¥3.09, compared with ¥3.71 previously.

Takashimaya's setback in pre-tax profits, its first for eight years, was blamed on sluggish growth of disposable income and the consequent fall in personal spending. With the opening of Daimaru's Umeda (Osaka) store, Takashimaya is forecasting difficult business circumstances in the current half.

Full year pre-tax profits are expected to drop by 19.6 per cent to ¥9.5bn, with net profit seen falling by 10.2 per cent to ¥3.4bn on sales of ¥477bn. Takashimaya is to pay a total dividend of ¥7.5 including a mid-term payout of ¥3.75.

Daimaru, the third largest department store group, saw pre-tax loss of ¥5.5bn—its first loss since it was listed on the stock exchanges in 1981. The company also reported a loss of ¥36m against the previous year's first half net profit of ¥1.1bn. Sales were up 4.1 per cent at ¥217bn.

The half year net loss per share was ¥3.73 compared with the previous year's net profit per share of ¥4.75.

For the full year, ending February 1984, the company expects pre-tax losses of ¥3.5bn and sales of ¥477bn up by 9 per cent from the previous year.

Capital increase proposed by Cii-Honeywell Bull

BY PAUL BETTS IN PARIS

Cii-Honeywell Bull, the French nationalised computer company, is planning a major capital increase of FF1.6bn (\$200m) which is expected to dilute even further Honeywell's minority stake in the French company.

Honeywell currently holds 19.9 per cent of the French company, which is the main subsidiary of the recently formed state-owned Bull group. Cii-Honeywell employs 21,000 of the 26,000 people who work for the newly formed Bull group.

The nationalised group confirmed yesterday it planned to increase Cii-Honeywell Bull's capital from FF81m to FF2.46bn. An extraordinary shareholders' meeting is to be called to approve the substantial capital increase, designed to strengthen the financial position of the heavily undercapitalised computer company.

Although the French company would welcome Honeywell's participation in the proposed capital increase—involving the issue of 16m new shares—the U.S. company is not expected to subscribe to the issue.

Honeywell, whose stake in the French company declined to 19.9 per cent after the Socialists came to power in France in 1981, would see its share in Cii-Honeywell Bull drop to about 7 per cent if it does not participate in the capital increase.

Lay-offs at French steel tube maker

By Our Paris Staff

VALLOUREC, THE leading French steel tube manufacturer, is laying off 9 per cent of its 14,350 workforce because of the recession in the international business which has led to a fall in demand for steel tubes used in the industry.

Vallourec's decision to lay off 1,250 workers follows its recent announcement of losses of FF1.48bn (\$5.2m) in the first half of this year. It had profit of FF1.136m on sales of FF8.2bn last year.

Fedehy, the nationalised French aluminium company said yesterday it had suspended a joint venture with Hercules of the U.S. to build a carbon fibres plant in France.

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AUTHORISED UNIT TRUSTS

Unit Trust Name	Manager	Investment Objective	Current Price	Previous Price	Change
Abney Unit Tr. Mgrs. (a)	Abney Unit Tr. Mgrs. (a)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (b)	Abney Unit Tr. Mgrs. (b)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (c)	Abney Unit Tr. Mgrs. (c)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (d)	Abney Unit Tr. Mgrs. (d)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (e)	Abney Unit Tr. Mgrs. (e)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (f)	Abney Unit Tr. Mgrs. (f)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (g)	Abney Unit Tr. Mgrs. (g)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (h)	Abney Unit Tr. Mgrs. (h)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (i)	Abney Unit Tr. Mgrs. (i)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (j)	Abney Unit Tr. Mgrs. (j)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (k)	Abney Unit Tr. Mgrs. (k)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (l)	Abney Unit Tr. Mgrs. (l)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (m)	Abney Unit Tr. Mgrs. (m)	Equity	1.00	0.98	+0.02
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Abney Unit Tr. Mgrs. (o)	Abney Unit Tr. Mgrs. (o)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (p)	Abney Unit Tr. Mgrs. (p)	Equity	1.00	0.98	+0.02
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Abney Unit Tr. Mgrs. (s)	Abney Unit Tr. Mgrs. (s)	Equity	1.00	0.98	+0.02
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Abney Unit Tr. Mgrs. (v)	Abney Unit Tr. Mgrs. (v)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (w)	Abney Unit Tr. Mgrs. (w)	Equity	1.00	0.98	+0.02
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Abney Unit Tr. Mgrs. (y)	Abney Unit Tr. Mgrs. (y)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (z)	Abney Unit Tr. Mgrs. (z)	Equity	1.00	0.98	+0.02

FT UNIT TRUST INFORMATION SERVICE

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Abney Unit Tr. Mgrs. (c)	Abney Unit Tr. Mgrs. (c)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (d)	Abney Unit Tr. Mgrs. (d)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (e)	Abney Unit Tr. Mgrs. (e)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (f)	Abney Unit Tr. Mgrs. (f)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (g)	Abney Unit Tr. Mgrs. (g)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (h)	Abney Unit Tr. Mgrs. (h)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (i)	Abney Unit Tr. Mgrs. (i)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (j)	Abney Unit Tr. Mgrs. (j)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (k)	Abney Unit Tr. Mgrs. (k)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (l)	Abney Unit Tr. Mgrs. (l)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (m)	Abney Unit Tr. Mgrs. (m)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (n)	Abney Unit Tr. Mgrs. (n)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (o)	Abney Unit Tr. Mgrs. (o)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (p)	Abney Unit Tr. Mgrs. (p)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (q)	Abney Unit Tr. Mgrs. (q)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (r)	Abney Unit Tr. Mgrs. (r)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (s)	Abney Unit Tr. Mgrs. (s)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (t)	Abney Unit Tr. Mgrs. (t)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (u)	Abney Unit Tr. Mgrs. (u)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (v)	Abney Unit Tr. Mgrs. (v)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (w)	Abney Unit Tr. Mgrs. (w)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (x)	Abney Unit Tr. Mgrs. (x)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (y)	Abney Unit Tr. Mgrs. (y)	Equity	1.00	0.98	+0.02
Abney Unit Tr. Mgrs. (z)	Abney Unit Tr. Mgrs. (z)	Equity	1.00	0.98	+0.02

OFFSHORE AND

